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No dramatic pre-poll sops as FM sticks to fiscal deficit targets; announces new urban housing scheme, more rural homes, rooftop solar solutions; turns focus to eastern States

Puffed-up, poll-ready

FM promises a White Paper in Parliament to draw 'lessons' from the economy's 'mismanagement' prior to 2014; parries queries on likely timeline

She scotches worries about fiscal consolidation, by setting a lower than expected 5.1% of GDP target for 2024-25 from 5.8% estimated this year



ILLUSTRATION: SOUMYADIP SINHA

Vikas Dhoot
NEW DELHI

Finance Minister Nirmala Sitharaman, presenting her sixth Union Budget and her first interim Budget on Thursday, resisted the temptation to hand out dramatic pre-poll sops such as the ones unveiled ahead of the 2019 Lok Sabha election, opting instead to bank on the government's track record and promise of "unprecedented development" in the next five years.

While broadly sticking to her assurance that this 2024-25 Budget would be a "vote on account", without "spectacular announcements", Ms. Sitharaman painted an elaborate picture of India's imperfect past prior to 2014, with the economy and governance needing serious mending. She then outlined how the NDA government, with a "nation-first" approach, had enabled the transition to a virtually perfect present.

"It is now appropriate to look at where we were then till 2014 and where we are now, only for the purpose of drawing lessons from the mismanagement of those years," Ms. Sitharaman said, promising a White Paper in the House on the mess allegedly inherited by the Narendra Modi government and the economy's subsequent resurgence to a path of sustainable, high growth.

"People are living better and earning better, with even greater aspirations for the future. Average real income of the people has increased by 50%. Inflation is moderate," she said.

Immediate promises

Though there were no tax breaks, some immediate new promises were made, including a scheme to enable the "deserving" urban middle class to buy or build their own homes, two crore more rural houses to be built in the next five years, and 300 units of free power a month for one crore households through rooftop solar solutions, as mooted by Prime Minister Narendra Modi after the Ram Mandir's consecration last month.

Finance Secretary T.V. Somanathan said the contours for the new housing scheme – which does not directly refer to urban households, but hints at them by picking beneficiaries from chawls, slums or unauthorised colonies – will be finalised before funding the plan.

Apart from a few such feel-good promises, the Finance Minister committed to work with States and stakeholders to implement "next generation reforms" in its next tenure.

Detailed roadmap

At the full Budget in July, the government plans to present a detailed roadmap for its vision of a developed India by 2047, she said, enunciating some guiding principles that will drive its approach. Ms. Sitharaman also made it a point to emphasise that the government is committed to turning the eastern parts of India into the growth engines of the economy in the coming Amrit Kaal, a term used for the period leading up to 2047.

Another plausible poll signal was the constitution of a high-powered panel to consider the challenges arising from "fast population growth and demographic changes", although she parried queries on the intent of this move in her post-Budget press conference.

Terming 'social justice' an effective and necessary governance paradigm, the Minister argued that what was mostly a political slogan in the past has been achieved by this government, through a "saturation approach of covering all eligible people" to address systemic inequalities in society. "This is secularism in action, reduces corruption, and prevents nepotism," she asserted, adding that the four major castes identified by the PM - the poor, women, youth, and farmers – would receive primacy in policy.

Fiscal discipline

While some hopes – for measures to spur consumption and rural demand against the backdrop of a poor monsoon– were dashed, Ms. Sitharaman's fiscal discipline surprised most economists, who had expected this year's fiscal deficit target (5.9% of GDP) to be breached. The FM not only revised the deficit estimate for this year to 5.8% of GDP, but also committed to hit the 5.1% mark in 2024-25.

Capital expenditure plans for the coming year got a modest but assured 11.1% increase, rising to an ostensbily auspicious number of ₹11,11,111 crore, and interest-free capex loans to States were raised to ₹1.3 lakh crore. Yet, gross and net borrowings planned in 2024-25 have been lowered from this year's levels to ₹14.13 lakh crore and ₹11.75 lakh crore, respectively.

"Now that the private investments are happening at scale, the lower borrowings by the Central government will facilitate larger availability of credit for the private sector,"the FM hoped, marking a prudent return to the tradition of keeping interim Budgets low on profligacy and high on intent.

FULL COVERAGE
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Zero gain for MGNREGS even as allocation sees a 43.33% hike
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Direct tax demands up to ₹25,000 to be withdrawn
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Solar power
One crore households to get up to 300 units of free electricity
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Railways
Railways gets outlay of ₹2.55 lakh crore; up by 5.8% from last year
» PAGE 5

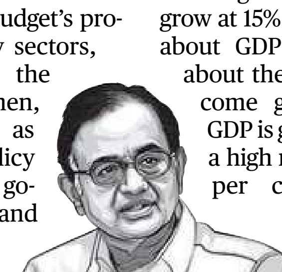
Biased in favour of rich: Chidambaram

Sandeep Phukan
NEW DELHI

India's demographic dividend has been "destroyed" as the BJP-led National Democratic Alliance's approach to the economy "is biased in favour of the rich", Congress leader and former Finance Minister P. Chidambaram said on Thursday. He added that the party was not afraid of a White Paper analysing the previous Congress-led United Progressive Alliance government's record on handling the economy.

Congress president Mallikarjun Kharge, in a video statement, claimed that both "vision and accountability were missing" from the interim Budget. "Any budget has two aspects: one, to provide a status report on the previous years, and the other is to provide a vision for the next year. Both of these are missing from this interim Budget," Mr. Kharge said.

Addressing a press conference at party headquarters, Mr. Chidambaram slammed the Budget's provisions for key sectors, including the youth, women, and farmers, as well as the policy of "minimum government and maximum governance".



While Finance Minister Nirmala Sitharaman had talked about youth, she did not acknowledge the "rampant" unemployment, said the Congress leader, adding that she had not mentioned that over 30,000 farmers and agricultural labourers had died by suicide between 2020 and 2022, nor the low participation of women in the labour force.

"By deliberate neglect over the last 10 years, the government has destroyed the demographic dividend story and dashed the hopes of millions of youth and their families," he Mr. Chidambaram said. "It is a government of the rich, by the rich and for the rich,"he added.

Asked about India being described as the fastest growing economy, the former Finance Minister said that the "fastest growing economy is not a badge of honour".

"China's GDP is five and a half times more than our GDP. If they grow at, say 3%, in order to match their annual growth, we have to grow at 15%... So don't talk about GDP growth. Talk about the per capita income growth. If the GDP is growing at such a high rate, why is the per capita income growing at half that rate?" he asked.

Promises in hand



Ad interim: Union Finance Minister Nirmala Sitharaman with the interim Budget 2024 in New Delhi on Thursday. SHIV KUMAR PUSHPAKAR

Committee will study 'fast population growth' and demographic changes: FM

Vijaita Singh
NEW DELHI

A high-power committee will be constituted to consider the challenges arising from "fast population growth and demographic changes", Finance Minister Nirmala Sitharaman said in her interim Budget speech on Friday.

The Finance Minister said the committee would be mandated to make recommendations to comprehensively address these challenges in relation to the goal of *Viksit* Bharat, or a developed India.

The announcement comes against the backdrop of an indefinitely postponed Census, which means that there is little reliable data to back up her assertion of "fast" population growth in the country; the little data that exist suggest that the country's fertility rate is falling below replacement levels.

Security concerns

Despite the absence of sound statistics, security concerns in border areas are also being highlighted on the basis of purported demographic changes.

To a question from *The Hindu* on whether the committee was aimed at population stabilisation and if it would be set in motion after the next Census, Economic Affairs Secretary Ajay Seth said: "India's demographics are an opportunity as well as a challenge. The committee will look at those aspects and the final terms of reference will reflect the focus."

The Minister's speech suggested there has been a "fast" population growth in the country, though there is no accurate data.

The latest Sample Registration System report for 2020 said that the total fertility fate (TFR), or the average number of children born to a woman over her lifetime, dropped to 2, from 2.1 in 2019.

The National Family Health Survey)-5 for 2019 to 2021, released in May 2022, stated that the TFR declined from 2.2 to 2 at the national level, in comparison to the last such survey held in 2015 and 2016.

Inclusive, innovative, sign of continuity: PM

Nistula Hebbar
NEW DELHI

Prime Minister Narendra Modi characterised the interim Budget tabled on Thursday as "inclusive and innovative", one that "carries the confidence of continuity", a reference to Finance Minister Nirmala Sitharaman's assertion that the Modi government will present the full Budget in July after the Lok Sabha poll.

"This Budget will empower all pillars of developed India – the youth, the poor, women, and farmers. It carries the guarantee of strengthening the foundations of *Viksit* Bharat by 2047," the Prime Minister said in remarks made directly after the tabling of the interim Budget. On Wednesday, the start of the Budget Session, Mr. Modi had, in his customary remarks, said that the Interim Budget will not have any major announcements but broad guidelines for the future, and the Budget speech on Thursday reflected that. Stating that the Budget reflected the aspirations of "young India", he highlighted two significant announcements in the Budget – that of a fund of ₹1 lakh crore for research and innovations, and the extension of tax exemptions for start-ups.



"We set a big goal, achieve it, and then set an even better goal for ourselves," he said, referring to the target to build two crore more houses for the poor under the Pradhan Mantri Awas Yojana, and create three crore '*Lakhpati Didis*' as part of women's empowerment.

'Sweet spot'

He added that keeping the fiscal deficit under control at a time when the total expenditure had seen a historic rise to ₹11,11,111 crore in this Budget was "in the parlance of economists, hitting a sweet spot".

"It will create millions of new employment opportunities for the youth along with the creation of modern infrastructure of the 21st century," Mr. Modi said. He made a special mention of the tax remission scheme announced in Thursday's Budget speech that is expected to provide relief for one crore tax payers caught up in disputes with tax authorities over petty amounts from as far back as the 1960s.

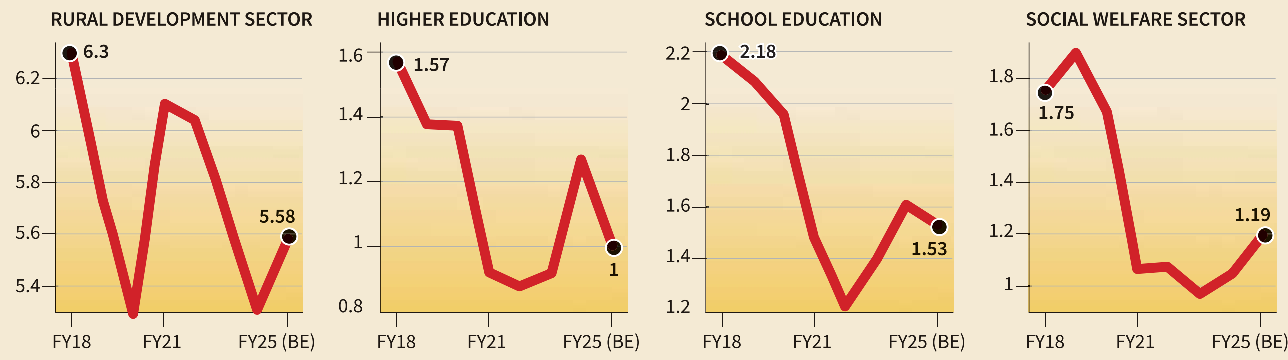
He singled out measures taken by his government for the poor and the middle class, including the Pradhan Mantri Suryodaya Yojana.

INTERIM BUDGET

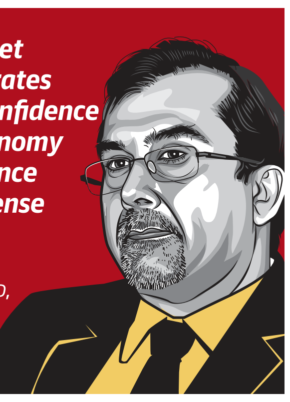


Social sector outlays low (in %)

The charts show the allocation for various social sectors **as a share of total expenditure.** Compared with the pre-pandemic years, the allocation to rural development, education and social welfare sectors remained relatively low



SOURCE: BUDGET DOCUMENTS



The Budget demonstrates India's confidence as an economy of substance and immense promise
Sanjiv Puri, Chairman & MD, ITC Limited

Net zero gain for job guarantee scheme

Interim Budget allocates ₹86,000 crore for the rural employment scheme, which is an almost 43.33% rise from the allocation in the last Budget, though the total expenditure so far for the programme, as per Union Rural Development Ministry, is already ₹88,309 crore

Sobhana K. Nair
NEW DELHI

With allocation of ₹86,000 crore for the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), the budget for the scheme for the financial year 2024-25 has been hiked by ₹26,000 crore in comparison with the 2023-24 Budget estimates, though it is the same as the revised estimates for the ongoing financial year (2023-24). So, the net gain for the rural employment scheme could be zero or even negative.

As per the statistics available on the Union Rural Development Ministry website, the total expenditure on the programme so far has been ₹88,309.72 crore. According to some estimates, as on February 1, the Centre owes ₹16,000 crore in wages to the State governments. The government has argued that MGNREGS is a dynamic scheme and the dues are cyclically paid. But for the last two years, the Centre has halted the programme in West Bengal, claiming corruption in implementation of the scheme. The Centre owes almost ₹7,000 crore to the State.



Mounting dues: As on February 1, the Centre owes ₹16,000 crore in wages to the State governments. THE HINDU

The 2024 Budget, though, breaks the continued trend of slashing the budget for the programme. In the 2023 Budget, only ₹60,000 crore was allocated which was 18% lower than the ₹73,000 crore Budget estimates and 33% lower than the ₹89,000 crore revised estimates for financial year 2023-24 for the scheme.

'Allocation falls short'

But activists and academics said the allocation still fell way short of the sum required for efficient implementation of the programme. "Matching the revised estimates is a tacit acknowledgement of rural distress. But it takes no step to alleviate it. Simple calculation points out that considering 5.6 crore households are registered under the programme, this sum can provide for 25 to 30 days at most of work in a year," Rajendran Narayanan, Professor at Azim Premji University, said.

The allocation furthers the trend of spending 15 to 20% of the Budget clearing the past dues. In the present case, this includes ₹7,000 crore owed to the West Bengal government.

"To meet the employment needs of registered households under MGNREGS, a crucial ₹3 lakh crore is essential. However, the allocated budget falls significantly short at a mere ₹86,000 crore. Considering the outstanding dues in West Bengal that need clearing and the additional work requirements for the workers in the State this year, coupled with the historical trend of 15 to 20% of the Budget being spent on clearing past dues, the allocation seems increasingly inadequate.

This shortfall raises serious concerns as it not only jeopardises the guaranteed right to work under MGNREGS but also constitutes a gross violation of this fundamental entitlement," Chakradhar Buddha, who is affiliated with LibTech India, a consortium of academics and activists, said.

VIEWPOINT



NIRMAL JAIN
Founder, IIFL Group

Prudent, promises bigger things

The govt. stuck to the theme as it raised capex outlay for the coming financial year by 11% to ₹11.11 lakh cr.

Days before she was to deliver Interim Budget 2024, FM Nirmala Sitharaman dropped some hints on what to expect from her speech. She said the government would orient policies towards improving the lot of four main interest groups: women, youth, farmers and poor.

In her Budget speech today, Ms. Sitharaman went a step further. The government was committed to inclusive growth and had detailed roadmap ready for a developed India by 2047.

This was a pre-election Vote-on-Account and not a full Budget, so the FM had limited legroom, and yet managed to move the needle enough to keep the interests of large swathes of the population in mind. While for the poor, there was the promise of 2-crore more houses under the Pradhan Mantri Awas Yojana, on top of the 3 crore already built, for the middle class, there was a commitment the government will ensure affordable housing for all. If done right, this should give a massive boost to the country's real estate sector. The Modi government's core philosophy over the last decade has been to push capital expenditure, especially in the infrastructure sector. In fact, the government's capex has nearly trebled in the last four years.

The government stuck to the theme as it raised the capex outlay for the coming financial year to ₹11.11 lakh crore, a 11% rise. Capex on infrastructure has a multiplier effect and the real impact of this push should be visible in the coming years on old economy and construction sectors that need power it.

> **While the country may have missed the bus in the first couple of decades of this century, and may have been left behind by its neighbour China, India's time may finally have come**

The government needs to be commended for the fact that despite significant economic upheavals since the pandemic, it has managed to steer a tight ship, remain fiscally prudent and keep fiscal deficit in check in the face of stiff crude oil prices.

While the fiscal deficit for FY24 at 5.8% is an improvement over the initial estimate of 5.9%, the figure for FY25 is projected at a more challenging 5.1%. This would bring India closer to achieving the fiscal deficit target of 4.5% by 2025-26.

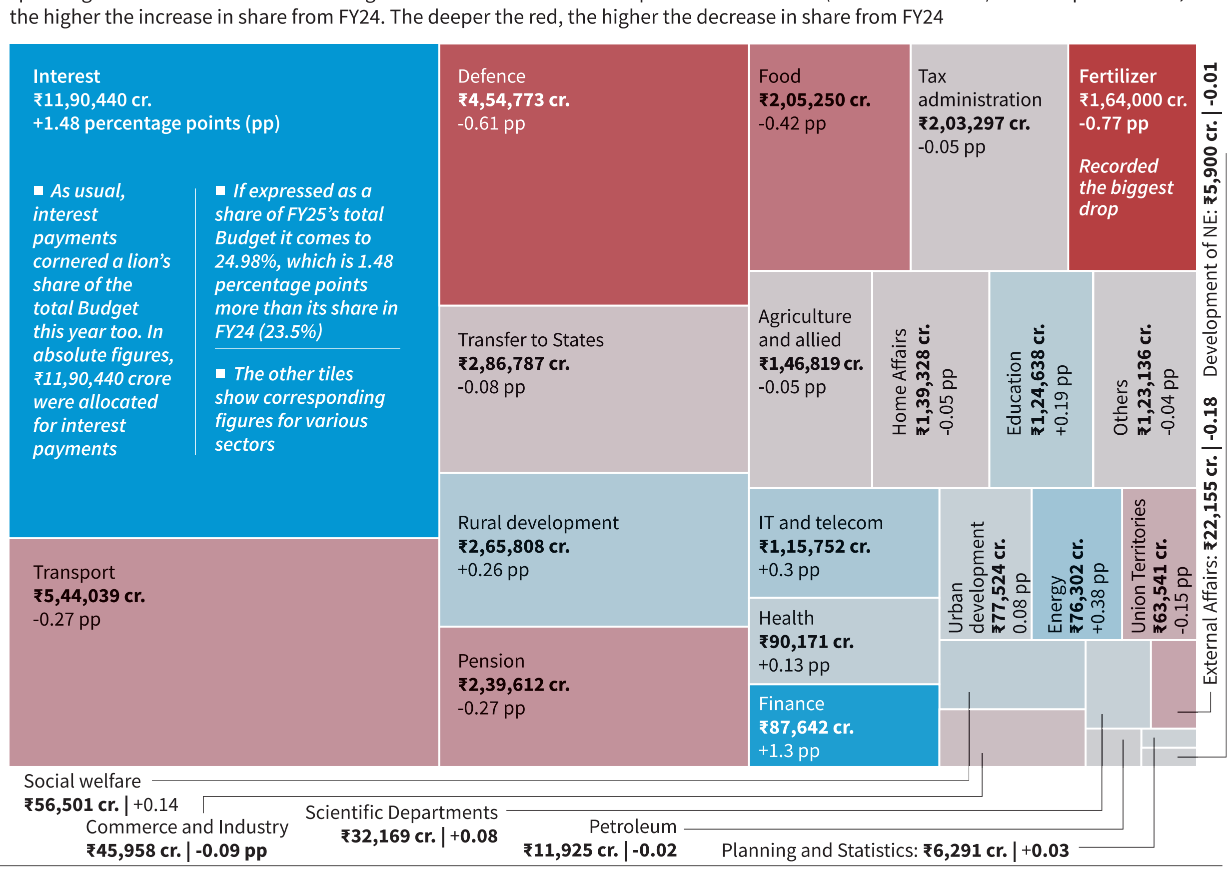
The government has also reduced market borrowing plan for 2024-25. It has pegged gross and net market borrowing at ₹14.13 lakh crore and ₹11.75 lakh crore respectively, significantly lower than most estimates. Simply put, the government wants to cut back on market borrowings and is looking at the private sector to partner it in funding the country's massive infrastructure development push.

The government can pat itself on the back as the revenue deficit as a factor of fiscal deficit has been coming down over the years, indicating it is borrowing money to create productive assets rather than merely fund consumption expenditure.

To power the animal spirits of India's young tech entrepreneurs, the government promised to set up a ₹1 lakh crore fund for research and development in the tech space. India is on the verge of something transformational.

Budget breakdown

The graphic shows the sector-wise budgeted expenditure (₹ crore) in FY25. The bigger the rectangle, the higher the proposed spending in FY25. It also shows the change in a sector's share in total expenditure from FY24 (revised estimates). The deeper the blue, the higher the increase in share from FY24. The deeper the red, the higher the decrease in share from FY24



SOURCE: BUDGET DOCUMENTS

Marginal rise in allocations for farming, fisheries

Jigeesh A.M.
NEW DELHI

Maintaining that the '*annadata's*' welfare is the highest priority of the Centre, Union Finance Minister Nirmala Sitharaman said in her Budget farmers' empowerment and well-being will drive India forward.

The allocation for the Agriculture Ministry is ₹1,17,528.79 crore, a rise of ₹1,997 crore when compared with the previous Budget. The allocation for the Ministry in the revised estimates was ₹1,16,788.96 crore while the actual expenditure in 2022-23 was ₹99,877.01 crore.

While schemes like the Pradhan Mantri Fasal Bima Yojana saw an increase in allocation, the allocation under the PM Kisan Samman Nidhi remained the same at ₹60,000 crore. The PM Kisan Man Dhan Yojana, however, saw a decrease in allocation.

For agricultural research, the allocation is ₹9,941.09 crore. Ms. Sitharaman said direct financial assistance is provided to 11.8 crore farmers, including marginal and small farmers, under the PM Kisan Samman Nidhi. "Crop insurance is given to four crore farmers under PM Fasal Bima Yojana."

> The Budget, however, was silent on issues such as a guaranteed minimum support price based on the M. S. Swaminathan Committee's formula

The Minister said a comprehensive programme for supporting dairy farmers will be formulated. "Efforts are already on to control foot and mouth disease," she said, adding the programme will be built on the success of existing schemes, including the Rashtriya Gokul Mission, National Livestock Mission, and Infrastructure Development Funds for dairy processing and animal husbandry.

The Ministry received an allocation of ₹4,521.24 crore, an increase of almost ₹200 crore when compared with the previous Budget. The Minister said a separate Department for Fisheries has resulted in the doubling of both inland and aquaculture production. The Budget, however, was silent on guaranteed minimum support price based on the M. S. Swaminathan Committee's formula.

School, Higher Education Departments get more money in interim Budget

The Hindu Bureau
NEW DELHI

Both Higher Education and School Education departments under the Union Ministry of Education received an increased budgetary allocation in the Interim Budget presented by Finance Minister Nirmala Sitharaman here on Thursday. Schemes such as PM Schools for Rising India (PM SHRI) got almost 50% more allocation than the last Budget.

The total allocation for the School Education Department is ₹ 73,008.10 crore. In the last Budget, it was ₹68,804.85 crore. In the revised estimates of last fiscal, the amount was ₹72,473.80 crore. Actual expenditure of 2022-23 was ₹58639.56 crore. Pradhan Mantri Poshan Shakti Nirman (PM POSHAN), previously known as the mid-day meal scheme, received an outlay of ₹12,467.39 crore. For PM SHRI, the allocation is ₹6,050 crore. For Higher Education Department, the total allocation is ₹47,619.77 crore. In the last Budget, it was ₹44,094.62 crore. In the revised estimates, it rose to ₹57,244.48 crore and in 2022-23, the actual expenditure was ₹38,556.80 crore.

POCKET | RAVIKANTH



Fertilizer subsidy set to decline, food subsidy sees increase

Jigeesh A. M.
NEW DELHI

The Centre has decreased fertilizer subsidies, apparently hoping the improving situation in Ukraine and increased domestic production will help in managing the situation.

The Fertilizer and Chemicals Ministry has been claiming the increase in domestic production of essential fertilizers such as urea will result in decreasing fertilizer subsidies.



Slight dip: Allocation for the Fertilizer Department in this Budget is down to ₹1,64,150.81 crore. THE HINDU

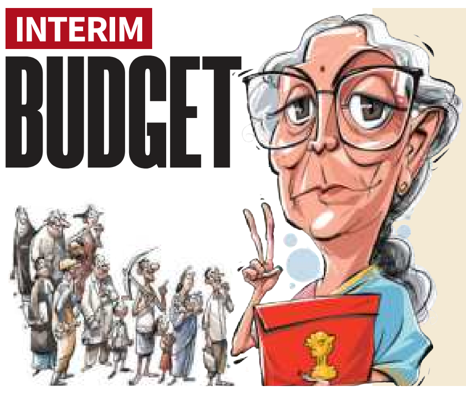
Allocation for the Fertilizer Department in this Budget is ₹1,64,150.81 crore. It was ₹1,75,148.48 crore in the last Budget. In the Revised Estimates of the last financial year, it was ₹1,88,947.29 crore. The amount actually used in 2022-23 was ₹2,51,369.18 crore, with payments for indigenous and imported urea estimated to have accounted for the bulk of the expenditure.

Union Finance Minister Nirmala Sitharaman announced in the Budget that after the successful adoption of Nano Urea, application of Nano Di Ammonium Phosphate (Nano DAP) on various crops will be expanded to all agro-climatic zones. She said the pandemic had led to a crisis of food, fertilizer, fuel and finances for the world, while India successfully navigated its way.

Food subsidy has seen an increase in the allocation compared with the last year. The total food subsidy includes ₹2,05,250 crore for the Pradhan Mantri Garib Kalyan Anna Yojana (PM-GKAY) and ₹1 lakh crore for the Sugar Subsidy payable under Public Distribution System. In the last Budget, the amount was 1,97,350 crore, while in 2022-23, the actual expenditure was ₹2,72,802.38 crore.

Ms. Nirmala Sitharaman also said worries about food have been eliminated through free ration for 80 crore people.

INTERIM BUDGET



Bearish response

The market did not react too well to the Budget speech with stock prices of most sectors declining on Thursday, except for FMCG (+0.21%) and Banks (+0.47%). Capital goods stocks underwent the biggest fall (-1.12%)

FMCG	INDUSTRIALS	IT	BANKS	CAPITAL GOODS	REALTY
+0.21%	-0.91%	-0.33%	+0.47%	-1.12%	-1.05%

SOURCE: BSE

The setting up of ₹1 lakh crore corpus for long-term funding of R&D projects will enable people to take risks
Srivats Ram, MD, Wheels India Ltd.



Solar panels to give free power to 1 cr. homes

Households can obtain up to 300 units of power for free a month; the initiative will translate to benefits of ₹15,000-18,000 annually for the households, says Union Finance Minister; last year, the Centre spent ₹2,167 crore on the scheme and this year it has allocated ₹4,555 crore

Jacob Koshy
NEW DELHI

Taking a cue from Prime Minister Narendra Modi's assurance following the Ayodhya temple consecration that one crore households will be electrified via rooftop solar installations, Union Finance Minister Nirmala Sitharaman in her interim Budget reiterated that commitment.

"Through rooftop solarisation, one crore households will be enabled to obtain up to 300 units of free electricity every month.... this would translate to benefits of ₹15,000 to 18,000 annually for households from free solar electricity, and selling of the surplus to the distribution companies," she said.



Green energy: For 2024-25, the Centre has budgeted ₹4,555 crore for rooftop solar programme, say Budget documents. FILE PHOTO

The average all-India household consumption of electricity is about 100 units a month, with only a few places such as Delhi approaching close to 300 units, say public data. The net-metering policy allows users of rooftop solar power to supply their surplus power back to the grid, thus offsetting their electricity bills.

Whether the government would fund new installations or only subsidise those installing new ones – the latter has been a practice for years – and the demographic that the scheme was targeting was not specified in Ms. Sitharaman's address.

Last year, the government spent ₹2,167 crore on its rooftop solar power programme, and for 2024-25, it has budgeted ₹4,555 crore, according to the Budget documents updated on Thursday.

At present, India has about 11 GW of installed rooftop solar capacity, of which only 2.7 GW is in residential units and the rest in commercial or industrial spaces. There is no centralised national estimate of how many of India's estimated 30 crore households have rooftop solar units, *The Hindu* reported last month citing estimates from experts, it is unlikely to be over 10 lakh. The Finance Minister also did not indicate a time line for the installations.

Neeraj Kuldeep, Senior Programme Lead, CEEW, said that 20-25 GW worth of rooftop solar capacity could be supported through solarisation of one crore households. Residential consumers receive subsidised electricity from distribution companies, and if such households were to be 'solarised', it would save discoms about ₹2 lakh crore over the next 25 years (the solar plant's life). "All States can leverage this opportunity as rooftop solar potential exists everywhere, unlike utility-scale solar (solar parks), which is primarily restricted to seven RE-rich States," he added.

Offshore wind

Ms. Sitharaman also announced a 'viability gap funding' to support the capital-intensive offshore wind sector, of up to 1 GW capacity. These are wind farms located in the sea. Though no details or budgetary allocations were announced, it is expected to encourage private sector investments in the sector.

Because solar power is only available during the day and battery storage systems are expensive, the global experience with rooftop solar is that most households with solar panels also rely on electricity from the grid.

VIEWPOINT



NAMRATA MITTAL
Chief Economist, SBI Mutual Fund

Fiscal consolidation surprised everyone

'Theme was fiscal consolidation with ability to maintain infrastructure spends at the existing run rate'

The 2024 Budget is a vote on account Budget, implying limited parliamentary discussion and hence an avoidance to tax modification at large. The primary objective is to seek permission to spend and collect receipts until the new government is formed. The underlying theme was fiscal consolidation with an ability to maintain the infrastructure spends at the existing run rate.

The pace of fiscal consolidation took everyone by surprise. Despite FY24 being a pre-election year, and despite FY24 nominal GDP growth coming in lower than budgeted (10.5% y-o-y vs. 8.9%), the government plans to end the year with lower than budgeted fiscal deficit (RE at 5.8% vs. BE of 5.9% of GDP) and consolidate it to 5.1% of GDP in FY25. It lends credibility to its FY26 fiscal deficit target of 4.5%. Nominal growth is projected at 11%, which looks slightly optimistic.

The Central government's total expenditure, budgeted to grow at 6.1% versus a likely 7.1% in FY24, is lower than India's nominal growth. In fact, adjusting the interest outgo, fiscal impulse reduces further. Optically, capital expenditure via budgetary support appears to be improving from ₹9.5 trillion in FY24 RE to ₹11.1 trillion in FY25. However, if one were to look at key infrastructure-oriented sectors (roads, railways, water, defence, and metros), most of them show a low single digit growth in the FY25 capex spend. It appears that a large part of capex is directed towards loan and equity infusion (BSNL being one case).

The Centre's expenditure, budgeted to grow at 6.1% versus a likely 7.1% in FY24, is lower than India's nominal growth

With the lone exception of rural housing (FY25 budgeted spend at ₹545 billion versus ₹320 billion in FY24), allocation for most of the key rural schemes is largely flat in FY25. There is a hope to reduce subsidy outgo too, which, in the end, would be contingent on the evolution of commodity prices through FY25.

As the 14% SGST revenue growth guarantee ends and FY25 entails no maturity of GST loan, the Centre has decided to utilise a part of GST cess collection (₹1.23 trillion) to pay for some regular G-secs maturing in FY25, thereby helping reduce the gross G-sec supply in FY25.

Gross borrowing is markedly lower in FY25 at ₹14.1 trillion versus ₹15.4 trillion in FY24. As per our calculation, the actual net market borrowing in FY25 falls to ₹10.5 trillion versus ₹11 trillion in FY24. We compare the colour of Centrally sponsored schemes of the government during its first and second term. While the government's first term focussed on Swachh Bharat, crop insurance, rural roads and housing, allocation towards MGNREGA, Awas Yojana, and the National Rural Drinking Water Mission was scaled up substantially in the second term. PM Kisan was introduced just ahead of the second term. Ayushman Bharat, Anganwadi 2 and few of the new agri-oriented schemes were also introduced in the second term.

On the draw



Markets unimpressed with interim Budget, stock indices close in the red

The Hindu Bureau
MUMBAI

The stock markets remained unimpressed with the proposals announced in the interim Budget and key indices, after witnessing a see-saw movement throughout the day, ended with losses. Whatever gains were seen prior to the presentation of the Budget were wiped out.

The S&P BSE Sensex lost 107 points, or 0.15%, to close at 71,645 points. The NSE Nifty 50 Index closed at 21,697 points, down 28 points, or 0.13%.

Among the Sensex stocks, L&T was down 2.38%, Ultra-Tech 2.26%, and JSW Steel 2.03%. This is despite several positive announcements concerning the infrastructure sector.

According to analysts, the interim Budget turned out to be a non-event, and both the Sensex and the Nifty were confined to a narrow range. Eight out of 13 sectors were in the red, with PSU banks and auto stocks limiting the fall. Among individual stocks, One97 Communications shares plunged 20% after the RBI barred Paytm Payments Bank from accepting deposits or top-ups in any customer account. Rajesh Bhosale, technical analyst, Angel One, said: "In the upcoming session, the market may continue to respond to the aftermath of the Budget announcement, with individual themes playing a significant role for traders."

Govt. to drop old tax demands, small payers get relief

Saptaparno Ghosh
Lalatendu Mishra

While maintaining the status quo on direct and indirect taxes, Union Finance Minister Nirmala Sitharaman, in the interim Budget presentation on Thursday, proposed to withdraw small, non-reconciled, and disputed direct tax demands. This implies that tax demands of up to ₹25,000 of the period up to FY 2009-10, and up to ₹10,000 for FY 2011 to 2015 would be withdrawn. She held that that the moves were part of the treasury's intent to improve "ease of living and doing business".

This turned out to be the major policy announcement as Ms. Sitharaman maintained the status quo for direct and indirect taxes.

Elaborating the rationale for the withdrawal, she told the House that there existed a "large number of petty, non-verified, non-reconciled or disputed direct demands", many of which went as far back as 1962. As they continue to remain on the books, they were "causing anxiety to honest taxpayers and hindering refunds of subsequent years", she said.

The Minister said the move would benefit "about a crore taxpayers".

Gouri Puri, partner at law firm Shardul Amarchand Mangaldas & Co., said the issue [about direct tax demands] has been pertinent to smaller taxpayers. Further, this would help address "legacy demands" that have been existing in the system but might be lacking merit. "There are clients that have non-reconciled demands that have not been resolved for five, six or maybe ten years," she said."The officer concerned will now have an administrative basis to resolve such tax demands," Ms. Puri added.

> There are clients that have non-reconciled demands that have not been resolved for five, six or maybe ten years
> **GOURI PURI**
> partner at law firm

Stating that she would be "keeping with the convention", Ms. Sitharaman proposed to retain the same tax rates for direct and indirect taxes, including import duties. This is in contrast to the last interim Budget, which proposed amending Section 87A of the Income Tax Act to increase the income base for tax rebates from ₹3.5 lakh to ₹5 lakh.

POCKET | RAVIKANTH



Tax exemption expiry date for start-ups gets one year extension

Mini Tejaswi
BENGALURU

Although the interim Budget for 2024-25 did not propose any changes in existing taxation, start-ups are offered certain tax benefits by way of extension of exemptions.

According to the Budget document, certain tax benefits for start-ups and investments made by sovereign wealth or pension funds and tax exemption on certain income of some International Financial Services Centre (IFSC) units are expiring on March 31, 2024.

However, Finance Minister Nirmala Sitharaman proposed to extend the exemption expiry date by a year to March 31, 2025, to provide continuity in taxation and trigger growth in the sector. This gesture along with initiatives such as PM Mudra Yojana, Fund of Funds, Start-up India, and Start-up Credit Guarantee schemes highlighted the government's proactive stance in supporting entrepreneurial aspirations and generating employment for youth, according to industry players.

The Budget's emphasis on the growth and global competitiveness of start-ups and micro, small and medium enterprises (MSMEs) reflects the government's commitment to fostering a robust ecosystem. Adequate finances, relevant technologies, and targeted training showcase a comprehensive approach towards empowering MSMEs, said K.R. Sekar, partner, Deloitte India.

Sandeep Agrawal, Director and Co-founder, at TeamLease Regtech, a compliance management firm, was of the opinion that it was about receiving support from all fronts – technology, research and development, and financial assistance.

According to the Finance Minister, under PM Mudra Yojana, the government has sanctioned 43 crore loans aggregating to ₹22.5 lakh crore for entrepreneurial aspirations of the youth.

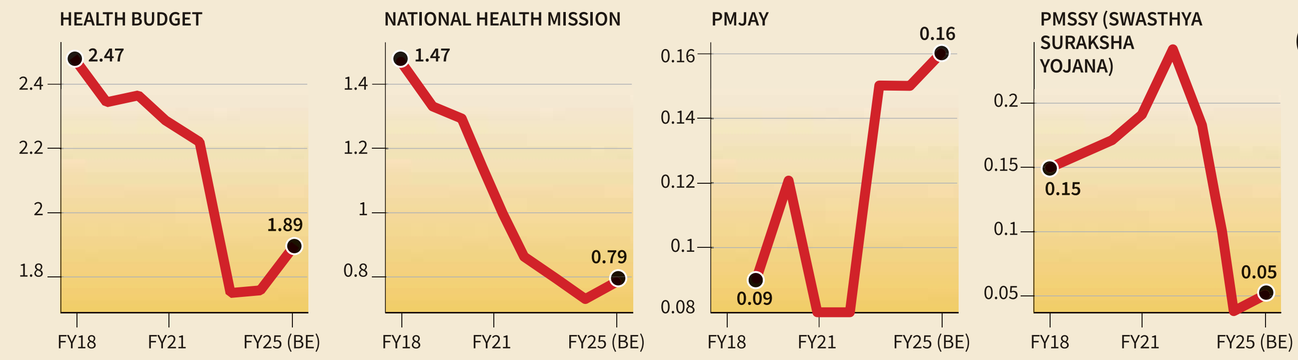
"The implementation of PM Mudra Yojana, the Start-up India, and the Start-up Credit Guarantee schemes signifies a concerted effort to facilitate the youth a seamless initiation of entrepreneurial journey," said Darshil Shah, Founder and Director, TreadBinary, an IT start-up.

INTERIM BUDGET

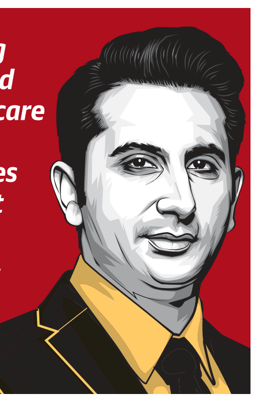


Health outlay remains low (in %)

The charts show the allocation for health sector and schemes **as a share of total budget**. Compared with the pre-pandemic years, allocation for health remained low. Among schemes, PMJAY's share increased considerably



SOURCE: BUDGET DOCUMENTS



Streamlining maternal and child healthcare schemes demonstrates commitment to health

Adar Poonawalla, CEO, Serum Institute of India

VIEWPOINT



ARUNDHATI BHATTACHARYA
CEO & chairperson, Salesforce India

Focus firmly on jobs and reforms

Technology, youth, and innovation continues to be the cornerstone of the government's strategy

India has showcased a robust and resilient growth story driven by perseverance, ingenuity, and vision. The 2024 interim Budget is an action-oriented one, with the mantra of reforming, performing, and transforming India. It is a Budget of confidence. It promises to continue to empower the four vulnerable sections of society – the poor, the youth, farmers, and women folk in order to realise India's potential.

The continued focus on increased capital investments will result in generation of employment opportunities and thereby growth of the economy. Micro, Small and Medium Enterprises (MSMEs) are an integral part of our economy - locally and globally.

As of October 2023, 1.14 lakh start-ups were recognised by the government under the 'Startup India' initiative and reported the creation of more than 12 lakh jobs. The next-generation reforms focused on timely and adequate finances, relevant technologies, and appropriate training for the MSMEs to grow and also compete globally will facilitate sustaining high and more resource-efficient economic growth – creating opportunities for all.

India is the talent basket of the world and has one of the youngest populations globally; we have a humongous opportunity to unlock the potential of the country's young workforce. I am personally pleased with the 43% increase in enrolment of women in STEM courses, the highest in the world. What's more, our country's population is massive and tremendously diverse - which gives us access to some of the richest datasets for AI and innovation. India is showcasing multiple solutions through innovation and entrepreneurship of its people. Technology, youth, and innovation continues to be the cornerstone of the government's strategy. Creation of a corpus of ₹1 one lakh crore with a 50-year interest-free loan is a welcome move combining the power of our youth and technology for driving more innovation.

Promoting sustainable growth is an opportunity for India to lead and has been a top-of-mind initiative for all leaders

Sustainable growth

Promoting sustainable growth is an opportunity for India to lead and has been a top-of-mind initiative for all leaders. Bold action towards climate change for realising our commitment to becoming 'net-zero' by 2070 is much needed. We are on a high growth path with all-round development and it is encouraging to see the focus on environment-friendly alternatives such as rooftop solar, offshore wind power generation, mixing of bio-fuels with CNG etc., to ensure that such growth is sustainable.

We need more women in the workforce and women-led initiatives are an imperative. Achieving high resilient growth while ensuring sustainable and inclusive livelihood options for all remains a priority for the country. There is emphasis on programmes for this segment as well including their health and nutrition. The Budget shuns unnecessary populist measures and focuses instead on ensuring that India continues on its high-growth trajectory.

POCKET | RAVIKANTH



"Guess what?! Rural India provides more Gig jobs than urban places every rabi and kharif!"

ASHA, anganwadi staff get health cover

Interim Budget enhances allocation to Health Ministry to ₹90,658.63 crore; newly designed U-WIN platform for managing immunisation and intensified efforts of Mission Indradhanush to be rolled out expeditiously; maternity, childcare schemes proposed to be integrated

Bindu Shajan Perappadan
NEW DELHI

Health cover under the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana will be extended to all Accredited Social Health Activists (ASHA) and anganwadi workers and helpers, Finance Minister Nirmala Sitharaman said on Thursday, announcing the interim Budget for 2024-25.

While a full Budget for 2024-25 will be announced after a new government is formed post the Lok Sabha elections later this year, the allocation in the interim Budget for the Ministry of Health and Family Welfare has been increased to ₹90,658.63 crore, from ₹89,155 crore in 2023-24, while the Ayush Ministry has seen the allocation increased to ₹3,712.49 crore from ₹3,647.50 crore.

For the health sector, the Minister said that India would utilise the services of the newly designed U-WIN platform for managing immunisation and the intensified efforts of Mission Indradhanush. "This is to be rolled out expeditiously throughout the country," the Minister said.



Pat on the back: The WHO has lauded the announcement to extend health cover to all ASHA and Anganwadi workers. FILE PHOTO

Other major announcements for the sector included utilising existing hospital infrastructure under various departments to offer medical seats to students and 'encouraging' HPV vaccination for girls in the 9-14 years age group for prevention of cervical cancer. The government also proposed to combine various schemes for maternity and childcare and bring them under one comprehensive programme.

Skill training

Ms. Sitharaman added that as part of the Skill India Mission, youth were being trained at various world-class institutes, including 15 newly constructed All India Institute of Medical Sciences (AIIMS).

Anganwadi centres would be upgraded under 'Saksham Anganwadi', while Poshan 2.0 would be expedited to improve nutrition delivery and ensure early childhood care and development.

Welcoming the extension of health cover to ASHA and anganwadi workers under Ayushman Bharat, Roderico H. Ofrin, WHO's representative in India, said that various other health-related in the interim Budget would further strengthen systems and healthcare services across the country. "WHO welcomes investments in these areas and will continue to support the Government of India in achieving health for all and meeting its disease elimination goals," he added.

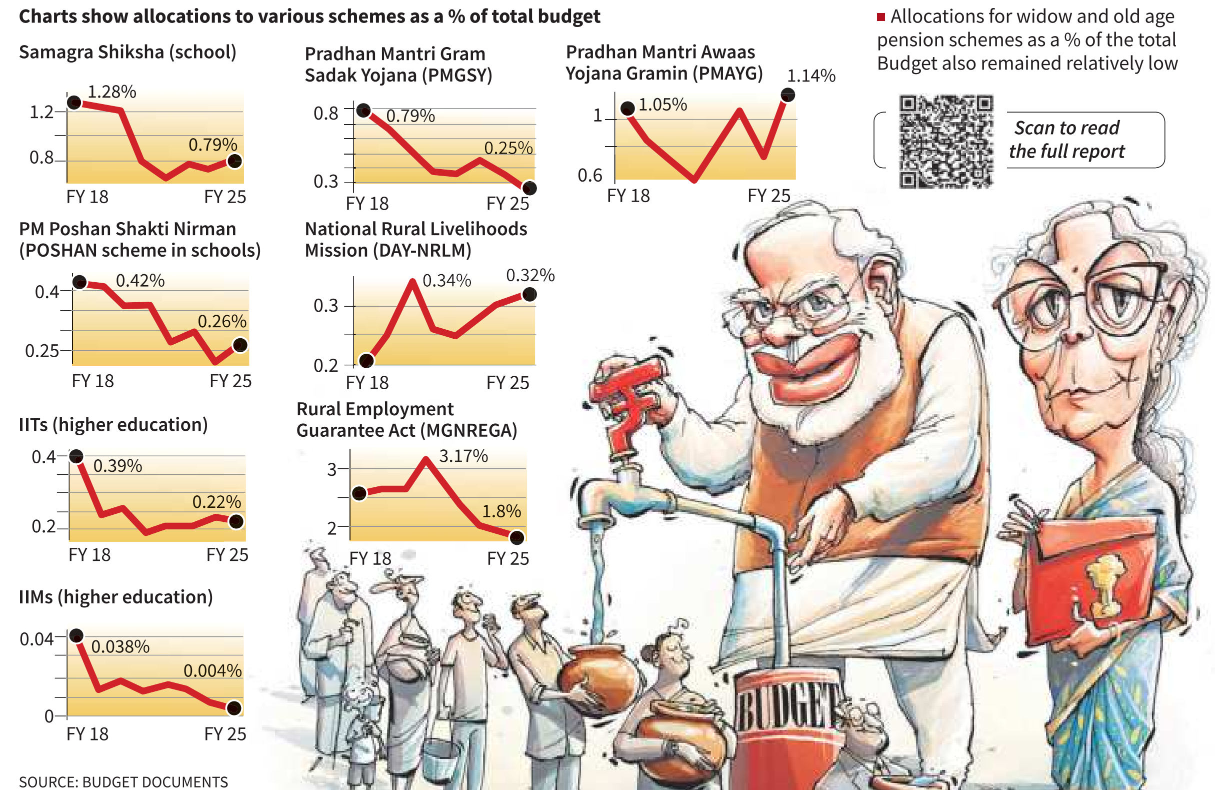
The Association of Indian Medical Device Industry (AiMeD), on the other hand, said it is awaiting the Budget fine print to check whether the recommendations of the Department of Pharmaceuticals with regard to the sector had been addressed.

The Budget had seemingly fallen short of expectations for addressing the rising import graph of medical devices and soaring import bills worth more than ₹63,200 crore, said AiMeD forum coordinator Rajiv Nath.

Smaller pie for social sector

Outlays to most schemes under school education, higher education and rural development in the total budget remained relatively low compared to the pre-pandemic years. Only PMAYG and NRLM recorded considerable increases

Charts show allocations to various schemes as a % of total budget



Allocations for widow and old age pension schemes as a % of the total Budget also remained relatively low

Scan to read the full report

SOURCE: BUDGET DOCUMENTS

Centre moots ₹1 lakh-crore corpus for R&D

Jacob P. Koshy
NEW DELHI

Signalling a commitment to research and innovation for India's "tech-savvy youth," Finance Minister Nirmala Sitharaman, in her interim Budget speech on Thursday, mentioned a corpus of ₹1 lakh crore, that would be available on 'minimal or nil interest rates' to "encourage" the private sector to invest in research and development in 'sunrise sectors.' It was not clear if this corpus was targeted at a specific Ministry or intended as a more broad-based encouragement to research.

Experts said that while it was a "welcome" development, it remained to be seen how the scheme would be implemented. "There are many possibilities at this juncture but I'm not aware of any specific discussions [on beneficiaries and implementation] and the ministries which will be involved. However, it is very good as it envisages both the public and private sector to invest in research and development," V.K. Saraswat, Member, NITI Aayog (science and technology), told *The Hindu*.

Among the significant steps taken by the Science Ministry in 2023 was clearing the National Research Foundation Bill. To be piloted by the Department of Science and Technology (DST), this envisages an autonomous body with a corpus of ₹50,000 crore, of which nearly ₹36,000 crore will come from the private sector and non-governmental sources.

The corpus would be available on 'minimal or nil interest rates' to "encourage" the private sector to invest in R&D in 'sunrise sectors'

A major long-standing concern of the government has been in getting private sector enterprises to invest in core R&D with nearly three-fourth of such expense now borne by the government. The DST has provisioned ₹2,000 crore in 2024-25 towards the NRF. The National Quantum Mission, a much talked about scheme of the DST, has for the first time been provisioned ₹2,819 crore. Ms. Sitharaman mentioned, again without details, "…A new scheme will be launched for strengthening deep-tech technologies for defence purposes and expediting '*atmanirbharta*.'

Govt. raises *Lakhpati Didi* scheme target

Sreeparna Chakrabarty
NEW DELHI

Buoyed by its success, the Centre has decided to increase the target for '*Lakhpati Didi*' scheme, which aims to train women self-help groups (SHGs) to earn a sustainable income of at least ₹1 lakh per annum by setting up micro-enterprises within their villages.

Finance Minister Nirmala Sitharaman, while presenting the interim Budget for 2024-25, said the target for training '*Lakhpati Didi*' would be increased from the existing 2 crore to 3 crore.

"Eighty-three lakh self-help groups with 9 crore women are transforming rural socio-economic landscape with empowerment and self-reliance. Their success has assisted nearly one crore women to become *Lakhpati Didi* already," Ms. Sitharaman said.

She said that there will also be expedition of the upgradation of Anganwadi Centres under "Saksham Anganwadi and Poshan 2.0" scheme for improved nutrition delivery, early childhood care and development. Accordingly, the Saksham Anganwadi and POSHAN 2.0 programmes saw the highest allocation of funds at ₹21,200 crore, followed by the Mission Shakti, which has been given ₹3,145.97 crore.

The total allocation for the Women and Child Development Ministry for 2024-25 is ₹26,000 crore, a marginal increase of 2.52% from the previous year's Budget.

New scheme for bio-manufacturing, bio-foundry on the cards

Vasudevan Mukunth
CHENNAI

In her interim Budget speech, Finance Minister Nirmala Sitharaman spoke of "a new scheme of bio-manufacturing and bio-foundry" to provide "environment-friendly alternatives such as biodegradable polymers, bio-plastics, bio-pharmaceuticals and bio-agri-inputs".

The announcement is part of a bid to have the bio-economy contribute $300 billion to the Indian economy by 2030, representing a jump of about ₹18 lakh crore in value from current levels, and $1 trillion by 2047. The products of the bio-economy also play key roles in India's sustainability and 'green' economy targets.



Green goals: The scheme will provide environment-friendly alternatives such as bio-plastics. FILE PHOTO

"The way to upskill India's bioscience sector is to put money into biomanufacturing and not only prioritise research," said Shambhavi Naik, a researcher at The Takshashila Institution.

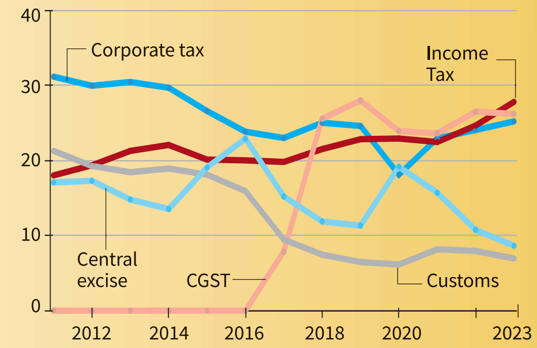
In the 2024-2025 Budget, the total allocation for the Department of Biotechnology (DBT) has been cut by 16%, to ₹2,251.52 crore, potentially slowing its recovery from the highs of the COVID-19 pandemic, when it helped develop vaccines, to the pre-pandemic level.

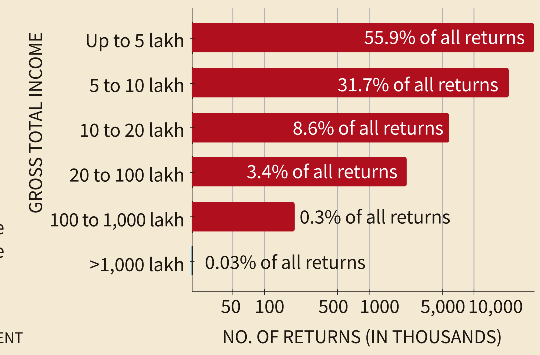
The Biotechnology Industry Research Assistance Council (BIRAC), a public-sector enterprise under the DBT that interfaces between academia and industry, has been allocated ₹40 crore, as in 2023-2024, even though its actual expenditure was higher.

The new bio-manufacturing scheme "will also help in transforming today's consumptive manufacturing paradigm to the one based on regenerative principles," Ms. Sitharaman added. "Apart from the faux connection that increased supply will change consumption, the initiative is much needed," Ms. Naik said.

INTERIM
BUDGET







"The Budget has laid out a fiscal glide path towards 4.5% in FY26. It is heartening expected tax buoyancy in FY24 is the highest in 7 years"
Dinesh Khara,
Chairman, SBI



VIEWPOINT



R.DINESH
President, CII

Capex expansion to boost infra sector

Expansion of outlay by 11.1% for FY25 will greatly bolster economic growth and boost job creation, says CII chief

The interim Union Budget 2024, laid out by Finance Minister Nirmala Sitharaman on Thursday introduced several inclusive and growth-oriented measures that will foster sustainable and all-round development of the country.

With a focus on delivering governance, development, and performance, the interim Budget focused on ensuring continuity of earlier reforms while also laying down further steps for building a stronger India.

Several schemes and initiatives are rightly aimed at supporting and empowering India's women, youth, farmers, and other vulnerable sections. Particularly noteworthy are the announcements including the extension of healthcare coverage to all ASHA, Anganwadi workers and helpers, and various maternal and childcare schemes, which are expected to enhance women productivity.

Significant measures were also introduced to strengthen India's rural economy, such as the application of Nano DAP on various crops across agro-climatic zones, which will help promote the overall growth and productivity of farming while also boosting farmer incomes.

The focus on technology and innovation in the Budget will act as a strong catalyst for R&D. The announcement of a significant corpus for fifty-year interest-free loans for long-term financing or refinancing will help the private sector in scaling up research and innovation in sunrise domains.

The focus on technology and innovation in the interim Budget will act as a strong catalyst for R&D

The expansion of the capital expenditure outlay by 11.1% for FY25 will greatly bolster economic growth and boost job creation by powering the infrastructure sector further. The CII is happy to note the government's continued thrust on capital expenditure, which will maintain a high multiplier effect on the economy by strengthening the physical and social infrastructure of the country. Several projects identified under the PM Gati Shakti programme will accelerate the country's GDP growth by bringing down logistics costs and enabling multi-modal connectivity.

Sustainable growth emerged as a clear priority for the government as several measures were announced. Measures to strengthen the electric vehicle ecosystem, including the greater adoption of e-buses for public transport networks through a payment security mechanism is very welcome, a new scheme on bio-manufacturing and bio-foundry for promoting environment friendly alternatives, and scheme for restoration and adaptation measures for promoting the Blue Economy are all welcome measures that will help facilitate India's green transition. The move to withdraw outstanding direct tax demands up to ₹25,000 until FY 2009-10 and up to ₹10,000 for FY 2010-11 and 2014-15 is very welcome.

The interim Budget also laid strong emphasis for continuing on a path of fiscal consolidation, with the aim of reaching a fiscal deficit below 4.5% of GDP by 2025-26. The fiscal deficit target for 2024-25 was set at 5.1%, in contrast to the revised estimate of 5.8% for 2023-24.

POCKET | RAVIKANTH



Three economic rail corridors on the anvil

Outlay for Railways goes up by 5.8%, Centre plans to revamp 40,000 coaches to Vande Bharat standards; allocation for investment in public sector units and joint ventures has been slashed to ₹31,107 crore which experts say is to open up the market to private players

Maitri Porecha
NEW DELHI

With a thrust on investment in infrastructure, the Union Ministry of Railways has been allocated ₹2.55 lakh crore for the financial year 2024-25, up by 5.8% from last year's allocation of ₹2.41 lakh crore.

Union Railway Minister Ashwini Vaishnaw said that up to 82% of last year's allocation had been spent by the end of January.

The Budget document says the Railway Ministry could only utilise ₹1.6 lakh crore, based on the actual numbers released for 2022-23. He said the revised operating ratio for 2023-24 was 98.7%, which is the ratio of working expenses to traffic earnings. "All expenditure for pension is being borne from railway revenue," he added.



On the fast track: The Ministry of Railways has been allocated ₹2.55 lakh crore for 2024-25. BISWARANJAN ROUT

Union Finance Minister Nirmala Sitharaman said that the Centre will implement three major economic corridor programmes – energy, mineral, and cement corridor, also being referred to as Energy Economic Corridor; port connectivity corridor aka Rail *Sagar*; and high-traffic density corridors, aka *Amrit Chaturbhuj*.

A total of 434 projects with an investment of ₹11 lakh crore will be rolled out under these programmes, he said.

"An integrated approach to Railway planning has been undertaken by consulting 18 Ministries and this plan has been in the works for the past two years. We are in the process of preparing detailed project reports, freezing final alignments, and interacting with State governments for the smooth working of the development along these corridors," he said in response to a question by *The Hindu*.

They have been planned along the lines of PM Gati Shakti framework by tracking the origin and destination nodes of Railways.

"This allows us to understand where we need to add a railway section, which areas require doubling or multi-tracking of routes, where we need rail-over-rail flyovers, or where we need to deploy new lines. For instance, how do we better manage passenger flow from Bihar, Jharkhand, Odisha towards Mumbai, Hyderabad, and Bengaluru or how do we manage large transport origin from Nashik," he said.

Over the next five years, it is planning to overhaul 40,000 coaches to provide a better passenger experience similar to that of the Vande Bharat trains. The entire exercise is expected to cost ₹15,200 crore.

"Good quality toilets, better safety standards like installing semi-permanent coupling, features like presence of charging points, automatic water measurement systems for filling up of tanks, installation of GPS and CCTV cameras will be added features in upgraded coaches," he said.

Notably, budget allocation for investment in public sector units and joint ventures decreased from ₹34,353 crore in 2023-24 to ₹31,107 crore in 2024-25. Experts say this is because the Railways is interested in opening up the market to private players.

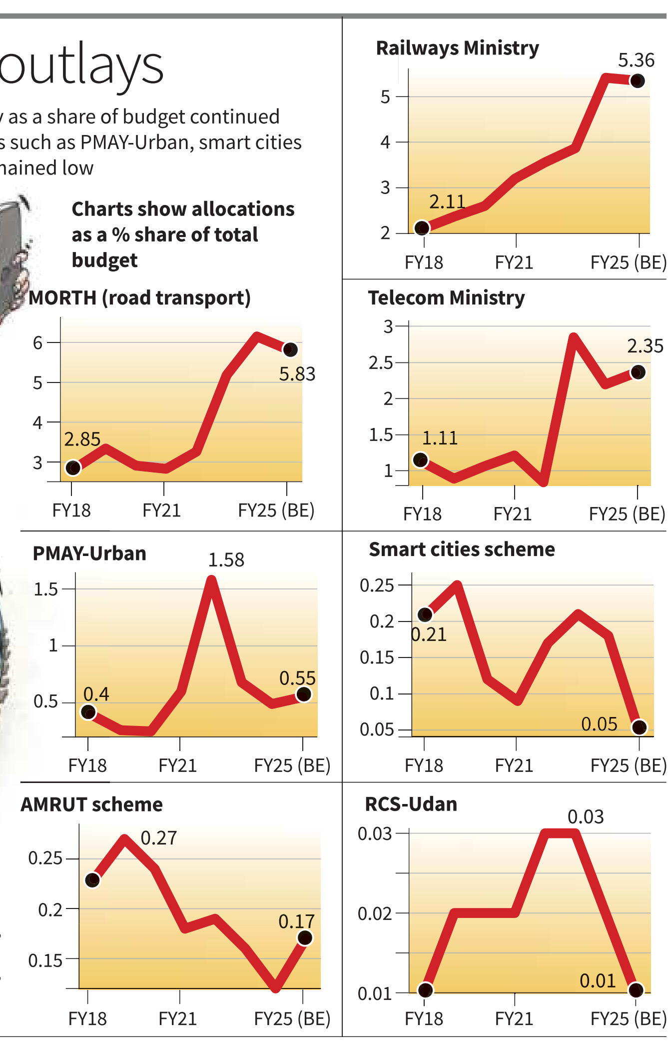
The bullet train project by National High Speed Rail Corridor has attracted the maximum chunk of allocation, up from ₹19,592 crore to ₹25,000 crore.

Ups and downs in infra outlays

Allocation for Railways, Road Transport, and Telecom Ministry as a share of budget continued to be high this year. On the other hand, allocation for schemes such as PMAY-Urban, smart cities mission, AMRUT and Regional Connectivity Scheme-Udan remained low



Charts show allocations as a % share of total budget



DATA: Jasmin Nihalani, Vignesh Radhakrishnan, Rebecca Rose Varghese, Godhashri S, Sonikka Loganathan
GRAPHICS & DESIGN: Kannan Sundar, J.V.S.N. Rajasekhar, A. Ganeshan, S.T. Karthick, L. Balamurugan
ILLUSTRATION: Soumyadip Sinha & R. Rajesh

UDAN hits an air pocket, 60% cut in Budget allocation

Jagriti Chandra
NEW DELHI

The budgetary allocation for the regional connectivity scheme UDAN (*Ude Desh Ka Aam Nagrik*) has been slashed by 60% after a record-high grant last time.

The fund is spent on reviving unused and underused airports in tier-2 and tier-3 cities. The Centre has set aside ₹502 crore for the scheme compared with the previous Budget Estimate of ₹1,244 crore, which was also the highest-ever allocation for the scheme since its launch in 2017.

The allocation in the interim Budget marks a 40% drop from the Revised Estimate of ₹850 crore for this fiscal year.

Union Finance Minister Nirmala Sitharaman in her speech on Thursday said that the number of airports in the country had doubled to 149 since 2014, and that "expansion of existing airports and development of new airports will continue expeditiously" at a time Indian airlines have placed an order of more than 1,000 aircraft. However, this was not supported by allocation in the Budget.

As a whole, the Civil Aviation Ministry was allocated ₹2,300 crore, which is a 26% drop from the previous year's Budget Estimates.

> The expansion of existing airports and development of new airports will continue expeditiously
> NIRMALA SITHARAMAN
> Union Finance Minister

Traditionally, the largest chunk of allocation for the aviation sector has gone to Air India, which continues even after its privatisation though to a much-smaller extent, with ₹1,158 crore set aside for the airline as the government has to service the interest on some of the remaining debt.

Air India debt

A debt of ₹29,464 crore was hived off from the airline at the time of disinvestment and parked in a special purpose vehicle, Air India Assets Holding Ltd, along with real estate assets. A part of this debt has since been cleared.

A sum of ₹57 crore has been set aside for the production-linked incentive scheme for drones and drone components, compared with ₹33 crore in this fiscal's BE and RE.

Road sector sees a nominal hike of 2.7%

The Hindu Bureau
NEW DELHI

After a massive jump in allocation every consecutive year in the recent past, this year's budgetary allocation for the road sector saw a measly 2.7% increase.

The interim Budget set aside ₹2,78,000 crore for the Ministry of Road Transport and Highways as compared to the ₹2,70,434 crore in the budget estimate for this fiscal. When compared to the revised estimate of ₹2,76,351 crore, the allocation is a hike of a mere 0.5%.

Of the total budgetary grant, ₹1,68,464 is for investment in National Highways Authority of India (NHAI) for the development of national highway corridors under Bharatmala Pariyojana. As of November 2023, a total of 15,045 km of the total project of 26,418 km have been completed and an amount of ₹4.10 lakh crore has been spent under Bharatmala Pariyojana up to October 2023.

Separately, a sum of ₹78,349 crore has been set aside for road works, which includes six landing of crowded sections of the Golden Quadrilateral, road development in Naxal-hit areas and provisioning last-mile connectivity through State government's Public Works Department.

Last year, the Budget announcement saw a hike of 35%, and the year before that there was a 70% hike in grant for roads.

Industry welcomes plan to augment electric vehicle ecosystem

N. Anand
CHENNAI

The Centre will focus on strengthening the electric vehicle ecosystem with supporting charging infrastructure in its move towards accelerating net-zero emission, Union Finance Minister Nirmala Sitharaman said on Thursday.

According to Ms. Sitharaman, it will also push for greater adoption of electric public transport network buses with formal payment mechanism. Mahesh Babu, CEO of Ashok Leyland's electric vehicle arm Switch Mobility, said that it was heartening to note the Centre has accorded focus on the automotive sector with plans to enhance the EV manufacturing ecosystem and charging infrastructure for boosting green growth.



Green push: Union Minister Nirmala Sitharaman said the Centre plans to boost charging infrastructure in the country. FILE PHOTO

Society of Indian Automobile Manufacturers president Vinod Aggarwal said the proposed move will boost the development and adoption of EVs. "The encouragement of payment security mechanism for adoption of e-buses for public transport networks is also a welcome step," Mr. Aggarwal added.

Sudarshan Shreenivas, Director of Corporate Ratings, CareEdge Ratings, said the corpus of ₹1 lakh crore for funding private sector R&D and innovation in sunrise sectors could potentially benefit companies in the EV space.

India Bank Managing Director & CEO S.L. Jain said the government's focus on infrastructure, including tourism projects, expansion of Namo Bharat to more cities, and support for EV manufacturing and charging infrastructure, aligns with the nation's developmental goals.

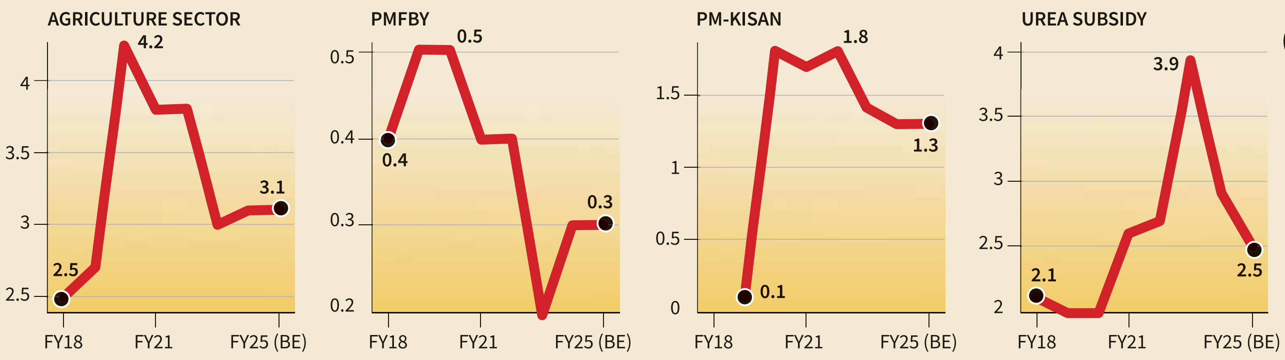
French carmaker Renault India enthusiastically supports the impetus on advancing the EV ecosystem, recognising its pivotal role in sustainability, the firm's CEO and MD Venkatram Mamillapalle said.

The focus on the EV ecosystem was set to catalyse business opportunities, Shriram Finance executive vice chairman Umesh Revankar said.



Agri outlay stagnant (in %)

Outlay for the agriculture sector and the two flagship schemes — PMFBY and PM-KISAN — remained stagnant in FY25 compared with FY24 (RE) and lower than the peaks recorded in previous years. Charts show allocation **as a share of total budget**



SOURCE: BUDGET DOCUMENTS

Continued infrastructure spending with the push to develop the EV ecosystem is exactly what the automobile industry needs

Sudarshan Venu, MD, TVS Motor



VIEWPOINT



HARSH GOENKA
Chairman, RPG Group

Continued focus on infrastructure

Budget balances growth with social welfare and fiscal prudence with ambitious development goals

The Finance Minister's speech during the Vote on Account exudes confidence that our economy is on track to achieve the Hon'ble Prime Minister's vision of becoming a 'developed nation' (*Viksit Bharat*) by 2047. The Budget last year had significantly increased infrastructure spends alongside multiple welfare schemes. The results of the reforms and investments are now clearly visible with significant strides in various sectors that bolster the nation's trajectory towards inclusive growth and sustainable development.

Continued focus on infrastructure, with substantial investments in railways, airports, and highways underscores the government's commitment to strengthen these sectors which are the backbone for economic growth. The Budget also continues several social welfare measures, crucial for India's long-term growth, ensuring that development is inclusive and benefits the most vulnerable sections of society. The healthcare initiatives are particularly noteworthy, reflecting the lessons learned during the pandemic and doubling down on the commitment to building a robust public health system. The decision to extend healthcare coverage under Ayushman Bharat to all ASHA and Anganwadi workers will motivate those working at the grassroots and strengthen the primary healthcare ecosystem.

The foresight shown towards technology is commendable. The ₹1 lakh crore support for technology investments aligns with the nation's rapidly growing digital economy, unlocking new growth avenues and fostering innovation to cement India's position as a global leader in the digital space.

Investments in railways, airports, and highways underscore the government's commitment

The agricultural sector, the backbone of the Indian economy, has been getting due attention with 11.8 crore farmers having received direct financial assistance from PM-Kisan Samman Nidhi so far. The initiatives to enhance agricultural productivity, improve post-harvest marketing and storage infrastructure and better market access will not only boost the sector but also empower millions of farmers.

The Budget makes a strong case for environmental sustainability, aligning with our Net Zero commitment. Viability gap funding for investments in renewable energy, green initiatives, and sustainable urban planning demonstrate our proactive stance on climate change. The proposed rooftop solar investment of 1 crore households will promote grassroot level energy self-sufficiency and also create multiple economic opportunities.

The budget showed continued commitment to simplifying tax structure and removing irritants eg. withdrawal of old outstanding direct tax demands which will bring relief to around one crore small taxpayers. The Centre's approach to fiscal management also deserves an applause.

Overall, balancing growth with social welfare, modernisation with sustainability, and fiscal prudence with ambitious development goals, the interim Budget ensured that India's economic juggernaut continues to roll on as we build a prosperous, resilient, and future-ready nation.

POCKET | RAVIKANTH



Budget shows BJP's poll confidence

The underlying message is that Modi government will return to power and present a full Budget in July, on the strength of its record, and last-minute sops are not required to go to the polls; almost two-thirds of Nirmala Sitharaman's speech was on government's 'achievements'

Nistula Hebbar
NEW DELHI

Finance Minister Nirmala Sitharaman's Budget speech on Thursday followed the norm of not announcing any new tax proposals as the country gets ready for the Lok Sabha election in a couple of months, but her political messaging was clear – that the Modi government will return to power to present a full Budget in July, on the strength of its record, and that it did not need announcements of last-minute sops to go to the polls. "Confidence over continuity," as Prime Minister Narendra Modi put it in his post-Budget remarks.

"In the full Budget in July, Mr. Speaker, our government will present a detailed road map for the pursuit of '*Viksit Bharat*'," she said to thumping of desks by the Treasury benches.



Great hopes: Finance Minister Nirmala Sitharaman ahead of the presentation of the interim Budget. SHIV KUMAR PUSHPAKAR

Later, Union Minister Bhupendra Yadav tweeted this portion of Ms. Sitharaman's speech with the caption "In July 2024….", to reiterate the point.

Almost two-thirds of Ms. Sitharaman's speech was based on "achievements" of the government in its 10-year tenure.

One of the most politically interesting announcements was on the programme to provide rooftop solar power generation to one crore households, as part of the Pradhan Mantri Suryodaya Yojana. It has come as a response to guarantees of free power by different political parties in different States, including in Delhi and Punjab by the AAP and the Congress in others.

Mr. Modi has spoken out against the *revdi*, or freebie, culture, and therefore, this announcement of making provisions for free power, not by declaring it as free but under a subsidy model for the initial installation of solar panels and some outlay by the beneficiary themselves, is a political-economy response to what is now a political and fiscal challenge in many States in India. "Imagine you have given free power without driving the State exchequer and power distribution companies bankrupt," said a source in the government.

There was also an acknowledgement that subsidised housing under the Pradhan Mantri Awaas Yojana had continuing demand as more and more families have come within its ambit, and therefore, an announcement that two crore more houses will be made was done.

An announcement with political ramifications was of setting up a committee to look at the whole issue of population and changes in demography.

"Since it was announced by the Finance Minister, you can be sure that this committee will be looking at the question of population not just as a demographic issue but also economic, which will inform policies after that. Till now, the question of growing population or certain population trends was only a demographic question," said a source in the government.

The Budget also saw the announcement that a White Paper to look at where the economy was in 2014, and where we it is now. "It is now appropriate to look at where we were then till 2014 and where we are now, only for the purpose of drawing lessons from the mismanagement of those years. The government will lay a White Paper on table of the House, Ms. Sitharaman said.

"The White Paper is basically going to look at the change in the way the economy was handled under Prime Minister Modi, of growth generated by expenditure," said a source.

With funds slashed, Census work may not begin in first quarter

The Hindu Bureau
NEW DELHI

The Union Home Ministry has been allocated ₹2.02-lakh crore in the interim Budget, a marginal increase of 1.4% over the Revised Estimates for the 2023-24 fiscal year.

The Budget for Census Survey and Statistics was slashed to ₹1,277.8 crore from ₹1,546.65 crore allocated in 2023-24, a further indication that the Census exercise that was to be initially completed in 2021 is not planned in the first quarter of the fiscal.

The allocation for the Indian Cyber Crime Coordination Centre (I4C) and the Crime and Criminal Tracking Network Systems (CCTNS), which will enable the implementation of the three criminal laws, has been increased. The allocation for the CCTNS has been increased to ₹520 crore in the interim Budget from ₹221 crore in 2023-24. The allocation for the I4C has been increased to ₹150 crore from ₹94 crore.

A sum of ₹1.32 lakh crore was given to the police, which includes the Central Armed Police Forces . The Union Territory of J&K has been allocated ₹37,277.74 crore.

A sum of ₹1,248.91 crore was given to the Cabinet under which the expenditure on the Council of Ministers, Cabinet Secretariat, Prime Minister's Office, and hospitality and entertainment of the government come.

While the Intelligence Bureau has been allocated ₹3,195.09 crore (₹3,268.94 crore in 2023-24), the Delhi Police was given ₹11,177.50 crore (₹11,940.33 crore), and the Special Protection Group (SPG) ₹506.32 crore (₹446.83 crore). .

Social Justice, Tribal Affairs Ministries see slight increase

Abhinay Lakshman
NEW DELHI

The interim Budget presented by Finance Minister Nirmala Sitharaman for the financial year 2024-25 on Thursday left the allocations for the Social Justice Ministry and Tribal Affairs Ministry largely unchanged with marginal increases seen in the estimated allocations for both Ministries compared with the 2023-24 Budget Estimates.

While ₹14,225 crore has been set aside for the Ministry of Social Justice and Empowerment, ₹13,000 crore has been allocated for the Ministry of Tribal Affairs for the next fiscal year.

This comes even though the Revised Estimates for 2023-24 saw expenditures reduced by 38% and 23% for the Tribal Affairs Ministry and Social Justice Ministry, respectively, from the allocations set aside in the Budget Estimates.

Affordable housing scheme for middle class to be launched

Sreeparna Chakrabarty
NEW DELHI

Providing a boost to affordable housing, Union Finance Minister Nirmala Sitharaman on Thursday announced that the government would launch a scheme to help "deserving sections of the middle class living in rented houses or slums or chawls and unauthorised colonies" buy or build houses.

In a fillip to rural housing, she said two crore more houses would be built under the flagship Pradhan Mantri Awas Yojana (PMAY)-Rural. She said that despite the pandemic-induced challenges, the "implementation of the PMAY (Rural) continued and we are close to achieving the target of three crore houses. [Construction of] two crore more houses will be taken up in the next five years".



Plan is to build two crore more houses over the next five years.

The PMAY has two components – PMAY (Urban) for the urban poor under the Ministry of Housing and Urban Affairs, and PMAY (Rural) for rural India under the Ministry of Rural Development.

The allocation for the Housing and Urban Affairs Ministry for 2024-25 is ₹77,523 crore, up from ₹76,431 crore in 2023-24. The total allocation for PMAY is ₹80,671 crore, of which ₹54,500 crore is for PMAY (Rural).

Allocation for Maldives increased to ₹770.9 crore

Kallol Bhattacherjee
NEW DELHI

India's neighbourhood received a substantial share of the annual allocation for the Ministry of External Affairs in the interim Budget presented by Finance Minister Nirmala Sitharaman on Thursday. Out of all the countries in the neighbourhood, Bhutan has received ₹2,398.97 crore as allocation for the current fiscal year, while Nepal has come second with ₹650 crore for various development projects currently under way in the Himalayan country. For 2024-25, Nepal has received an allocation of ₹700 crore.

The Maldives, which has been in the news recently because of anti-India protests and remarks from its top leadership, has seen a substantial bump in allocation. The allocation for the Maldives for 2023-24 was ₹400 crore which went up to ₹770.9 crore this time. This indicates that India is increasing investments in the archipelago nation.

Indian projects in Bangladesh under current fiscal will receive ₹130 crore. A sum of ₹220 crore has been allocated for Afghanistan which is governed by the Taliban that is yet to find official recognition from India.

Sri Lanka will receive ₹60 crore of the allocation for the current fiscal. Conflict-struck Myanmar has received ₹370 crore in the current fiscal.

Island nations

Among the island nations of the Indian Ocean, the Seychelles and Mauritius have received ₹9.91 crore and ₹370 crore, respectively, in the current fiscal. The port of Chabahar in Iran will receive ₹100 crore as funding. A sum of ₹3,849 crore has been allocated for Lines of Credit under the Indian Development and Economic Assistance Scheme.

Space programme gets nominal hike of 4%

Vasudevan Mukunth
CHENNAI

With no major space missions slated for 2024, the Department of Space has received only a nominal increase of 4% in its allocation in the interim Union Budget for 2024-25, from ₹12,545 crore to ₹13,043 crore. The Indian space programme will spend much of the year on pre-launch testing milestones for the lunar mission (Chandrayaan), human spaceflight (Gaganyaan) missions etc.

In 2023, the Indian Space Research Organisation (ISRO) launched and successfully executed its long-awaited Chandrayaan-3 mission. The ISRO also launched the Aditya-L1 mission to study the sun, and the XPoSat – short for 'X-ray Polarimetry Satellite' – mission to track and study neutron stars and black holes from space. India also signed the Artemis Accords to participate in the U.S. multilateral programme to return humans to the moon by 2025.



A PSLV rocket carrying the X-Ray Polarimetry Satellite (XPoSat) lifts off from the Sriharikota spaceport on January 1. ANI/ISRO

The major launches slated for 2024 include an uncrewed Gaganyaan test flight, the third developmental flight of the Small Satellite Launch Vehicle, and the NASA-ISRO Synthetic Aperture Radar mission. ISRO scientists have also been working on propellants, satellite propulsion systems, new launch vehicles, and technology transfer to the industry.

In her Budget speech, Finance Minister Nirmala Sitharaman announced a corpus of ₹1 lakh crore, with five-decade interest-free loans, to boost private sector investment in research and development.

While the details are not clear, India's nascent private spaceflight sector and its 200 or so start-ups are expected to benefit from this infusion. The revenue expenditure of IN-SPACe, the nodal agency setup by the Union Cabinet in 2020 to oversee the activities of this sector, also increased 24%. Similarly, revenue for space technologies – which includes work on Gaganyaan and the development of systems for new launch vehicles and spaceflight missions – increased 27%.

The 8% increase in the allocation for space technologies is, however, out of keeping with the work planned on Chandrayaan-4 and the Lunar Polar Exploration mission, a partially reusable launch vehicle, and others. Then again, the Department of Space underutilised its allocation for space technologies in 2023-24 by more than ₹1,500 crore. Finally, expenditure for INSAT satellite systems was halved from ₹531 crore in 2023-24 to ₹276 crore in 2024-25.

Poll posture

Slowing growth and rising inequality must both be tackled head-on

Finance Minister Nirmala Sitharaman's sixth consecutive Budget speech was an election-eve, self-congratulatory report card on the economic achievements engendered by Prime Minister Narendra Modi and the two governments he has led since 2014. Echoing the Finance Ministry's review of the economy's performance, and stating that Mr. Modi had inherited a situation replete with 'enormous challenges' when he assumed office, Ms. Sitharaman asserted that those were surmounted through 'structural reforms, pro-people programmes and the creation of opportunities for employment and entrepreneurship'. A reinvigorated economy had helped ensure that the fruits of development started reaching the people at scale, imbuing them with a sense of purpose and hope, and translated into a bigger mandate five years ago, she averred. In a clear sign that the Bharatiya Janata Party-led regime is far more confident of returning to power this time around, Ms. Sitharaman eschewed any announcements that could be seen as targeting a particular constituency of voters. Instead, the focus was on talking up the commitment to 'an inclusive and sustainable policy approach that had led to the attainment of a more comprehensive GDP of governance, development and performance'. A nonchalant observation that the government would detail a road map for attaining a 'Viksit Bharat' by 2047 in its full Budget in July, was premised on the certainty of winning a 'resounding' electoral mandate.

The Budget numbers posit a continuing journey on the path of fiscal consolidation, with the Revised Estimates (RE) pegging the current year's fiscal deficit at 5.8% of the GDP, a 10 basis points improvement from last February's Budget Estimate (BE) of 5.9%. This, the Minister has achieved by pruning effective capital expenditure by ₹1 lakh crore in the RE, a moderation in nominal growth estimates notwithstanding. For 2024-25, she has projected a sharper consolidation and pegged the deficit at 5.1% by factoring in a 14% jump in revenue receipts on a BE basis, that is expected to help offset an 11% increase in estimated capital expenditure to ₹11.11 lakh crore. Ms. Sitharaman, who emphasised a tripling in the capital spending outlays over the past four years that had had 'a multiplier impact on growth and employment creation', however, glossed over the fact that the budgeted increase in capital spending next year is set to be sharply lower than the 28% jump in the RE versus last fiscal's actuals. At a time when official estimates for private consumption spending show growth at its lowest ebb since the pandemic, the Budget's stress on fiscal prudence does carry the risk of undermining economic momentum. The bigger challenge is the more worrying possibility of rising inequality.

Change in Jharkhand

Central agencies must be allowed to function freely

Jharkhand Mukti Morcha (JMM) leader Hemant Soren stepped down as the Chief Minister of Jharkhand on Wednesday moments before the Enforcement Directorate (ED) arrested him on allegations of money laundering. Mr. Soren faces charges of benefiting from tribal land transactions based on forged documents. The judiciary will examine these allegations, but what necessitates the arrest of an accused is a serious question that the judiciary needs to settle in clearer and enforceable terms. The ED, under the Prevention of Money Laundering Act (PMLA), commands sweeping powers of arrest. Barriers for bail are very high in PMLA cases. Petitions challenging the July 2022 judgment of the Supreme Court upholding these powers are pending before it. Meanwhile, the ED has raised the stakes by arresting a Chief Minister of an Opposition party, which cannot be viewed as a routine law enforcement event. Mr. Soren's lawyers mentioned in the Court on February 1 that this has implications for the polity of the country, seeking an urgent hearing of his plea against the arrest. Meanwhile, the ED has asked Delhi Chief Minister and Aam Aadmi Party leader Arvind Kejriwal to appear before it on February 2, after his failure to turn up for questioning four times. Mr. Soren has called for 'a war against a feudal system that oppresses poor, dalit and tribals', terming the case against him an assault on the tribal communities that he represents.

Faced with allegations, politicians often seek cover behind their community identities, but it is undeniable that the long arm of the Indian law reaches the weaker sections of society more easily. The JMM's troubles did not end with Mr. Soren's arrest. The selection of a new Chief Minister became entangled in a family feud. Instead, as a compromise, it will be a veteran fighter for tribal rights, Champai Soren, but the Governor has not yet invited him to form the government. The Jharkhand police has filed a first information report based on a complaint by Mr. Soren under the SC/ST (Prevention of Atrocities) Act, but it is unlikely to stand. That said, ED investigations have now established a pattern that fits perfectly with the political designs of the ruling Bharatiya Janata Party. Mr. Soren's arrest follows the reengineering of the alliance in Bihar that brought the BJP back to power, where the Governor acted swiftly to facilitate it. As on multiple occasions, leaders under the ED's scanner magically turned clean once they joined hands with the BJP. The distinction that central agencies make sometimes appears to be not between the corrupt and the clean, but whether one is with the BJP or not.

Interim Budget 2024 — in campaign mode



C.P. Chandrasekhar
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Well before Finance Minister Nirmala Sitharaman rose to present the Interim Budget for 2024-25, there were indications as to what its focus would be. Doubts that this would be anything more than a vote-on-account had been settled when Prime Minister Narendra Modi publicly declared that "when polls are this close, the government presents an interim budget" – and went on to say with confidence of a victory in the polls, "we will bring a full budget when a new government is formed".

Meanwhile, an 'interim Economic Survey', innocuously titled "The Indian Economy: A Review", has presented a survey of post-Independence economic development, with a periodisation that divides those years into the pre- and post-Modi government eras. In language reflective of an electioneering pamphlet, peppered with the Prime Minister's own assessments of his government's record, the document concludes that the decade 2014-24 was one of "transformative growth". Periods of significant or even high episodes of growth prior to that transformative decade are identified as wanting, on the grounds that such growth either left structural challenges unaddressed or was the result of an unsustainable credit boom that damaged the banking sector.

A eulogy

Given this background, it was to be expected that the Budget speech would be a vocal expression of this eulogy of the two governments of the last 10 years. For years, Part A of the Budget speech has been a tiresome recounting of policies already adopted, and to be adopted, many of which have little to do with the issues of resource mobilisation and allocation and the strategy they signal, which must be the actual concern. That has been true of this year's Interim Budget as well, which focused on all the "welfare" schemes, in areas varying from housing to food, which have been largely attributed to the Prime Minister. It is another matter that the Prime Minister has in the past dismissed such schemes as representative of a "*revdi*" (sweet gifts) culture when implemented by non-Bharatiya Janata Party (BJP) State governments.

With the Interim Budget being identified as a mere vote-on-account, Part B of the speech was a declaration that while pursuing consolidation in the sense of achieving periodically revised fiscal deficit to GDP ratios, the government will be stepping up spending on infrastructure and welfare. In the circumstances, what can be assessed from the detailed Budget documents is the fiscal performance of the Centre in the current (rather than next) financial year, 2023-24. Even that exercise is fraught with difficulty because the practice of presenting Budgets on February 1 adopted in recent years has meant that "revised estimates" for the financial year incorporate projections relating to most of the last quarter of the financial year extending to March 31.

While there has been a focus on 'welfare' schemes, which have been largely attributed to the Prime Minister, it remains to be seen whether voters will be impressed by this or the government's claim of financial prudence

CGA data sheds more light

The only substantial figures at hand are the estimates of actual expenditure under different broad heads for the first three quarters of 2023-24 provided by the Controller General of Accounts (CGA), which can be compared with the estimates for the whole year provided in the Budget. This is, in certain areas, quite revealing. For example, if we take the estimates for the Department of Rural Development, under which the all-important Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme falls, as compared to budgeted expenditures of ₹1,57,545 crore for 2023-24, the revised estimates are placed at a much higher ₹1,71,069 crore. That points to a significant step up relative to that budgeted, despite claims that the NREGA scheme is being inadequately funded, wages are in arrears and job card holders are being excluded from work because wage payments are to be linked to Aadhaar.

But a comparison of revised and budgeted expenditures conceals what is actually occurring. The actual expenditure on the MGNREGA scheme was ₹1,11,170 crore in the COVID-19 year 2020-21 and ₹98,468 crore in 2021-22. That came down to ₹90,806 crore in 2022-23 and the revised estimate projects spending on the programme in 2023-24 at an even lower ₹86,000 crore. The figures clearly do not match the government's pro-poor rhetoric. Interestingly, the CGA reports that expenditure of the Department of Rural Development till December 2023 amounted to only ₹1,07,912 crore or 63% of the total projected in the revised estimates. So, more than a third of the estimated expenditure for the financial year is projected to occur in the last quarter of the year.

That deviation between revised expenditures over the financial year and the actual till December 2023 is even larger in the case of the Department of Agriculture and Farmers Welfare, under which the much-touted Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) scheme of transfers falls. The budgeted expenditure for 2023-24 for that department was placed at ₹1,15,532 crore and the revised estimate is projected at ₹1,16,789 crore. The actual till December is placed at ₹70,797 crore by the CGA, or 61% of the revised estimate. Spending on the PM-KISAN scheme alone, which amounted to ₹66,825 crore in 2021-22, fell to ₹58,254 crore in 2022-23 and is projected at ₹60,000 crore in 2023-24.

There are two ways in which such deviations between actual spending till December and the revised estimates in the Budget can be interpreted. One could be that the Finance Minister has chosen to inflate revised estimates of spending to back her claim that the government has provided massive support to farmers and rural workers. The other could be that, despite tardy spending till December, the government plans to launch a pre-election spending blitz in areas where it believes it can swing votes in favour of the BJP. Being election season, the latter is a possibility. But trends of the kind noted with regard to spending on the MGNREGA scheme suggest that the government believes that rhetoric can be a substitute for actual allocations. Thus, despite claims that free rations for 80 crore people are a huge expansion of food support under the National Food Security Act, the total food subsidy has fallen from ₹5,41,330 crore in 2020-21 to ₹2,88,060 crore in 2021-22 and a projected ₹2,87,194 crore (RE) in 2023-24.

Estimates and projections

At the macroeconomic level, the Budget's claim is that in 2023-24, the central government has managed to ensure that its receipts other than borrowing are almost equal to that budgeted. This is because it has met budgetary expectations with respect to tax revenues as well as expects to raise its non-tax revenue receipts by 25% relative to budget. The explanation for that hefty increase is that income from dividends and profits is slated to rise from ₹99,913 crore in 2022-23 to ₹1,54,407 crore in 2023-24 (RE). This is because, as compared with a budgeted ₹48,000 crore to be received as dividend/surplus from the Reserve Bank of India and nationalised financial institutions, the revised estimates suggest that the actual inflow will be more than twice that figure at ₹1,04,407 crore, largely because of transfers from the central bank. This has more than made up for a projected fall in miscellaneous capital receipts, consisting of receipts from disinvestment from a budgeted ₹61,000 crore to ₹30,000 crore. It is not clear whether even the figure of ₹30,000 crore can be realised, since the CGA estimates that 'other non-debt capital receipts', consisting of disinvestment proceeds, just crossed ₹10,000 crore by December.

Estimates and projections of this kind allow the Finance Minister to claim that even while ensuring total expenditure in line with the budgeted, she has managed to keep the fiscal deficit, at 5.8% of GDP, marginally below the budgeted level, hoping to please financial markets with her government's prudence. Whether it would please voters to give the National Democratic Alliance a "resounding victory", as she hopes, is yet to be seen.

A case of capex under the 'macroscope'



Vivek Kumar
is Co-Head, Research, QuantEco



Shubhada Rao
is Founder, QuantEco

India's economic recovery in the early post COVID-19 pandemic phase was distinctly underscored by a strong performance in exports and domestic investments. While exports benefitted from an easing of global supply chains and a structural pick-up in services exports, domestic investments are a manifestation of the government's relentless capex push.

The prioritisation of capex continues

As such, India's investment ratio is estimated by the National Statistical Office to have improved to 29.8% of GDP in the financial year 2023-24 from its recent low of 27.3% in 2020-21. With this, India stands out as the fourth best country (followed by Mexico, Italy, and South Africa) in the G-20 space with respect to an improvement seen in the investment ratio, three years after COVID-19.

The FY25 Interim Budget carries forward the ethos of public capex a notch higher, thereby bolstering the government's commitment to high quality spending. The budgeted capex by the central government, an important metric for capacity creation in the economy, is slated to touch a record high of ₹11.11 trillion in FY25. As a ratio to GDP, this would tantamount to 3.4% of GDP, the highest in the last two decades. As a share of total expenditure, this comes to 23.3%, the highest in 32 years

Out of the budgeted capex outlay of ₹11.11 trillion, nearly two-thirds is earmarked for economic services (the lion's share of approximately 46% is accounted for by hard infrastructure sectors such as roads and railways. In case of the railways, the Finance Minister has announced the identification of three major economic rail corridors under the PM Gati Shakti programme to improve logistics efficiency and reduce cost; energy, mineral and cement corridors; port connectivity corridors; high traffic density corridors, and 40,000 normal rail bogies will be upgraded to meet Vande Bharat standards

Fiscal rectitude and conservatism have been the hallmarks of this Budget exercise

Defence capex, a niche priority segment under the Atmanirbhar Bharat campaign, will see a record high allocation of ₹1.72 trillion (although it is budgeted to remain unchanged at 0.5% as a ratio to GDP between FY24 and FY25). This will be supplemented with the launch of a new scheme for strengthening deep-tech technologies for defence purposes and expediting '*atmanirbharta*'.

Loans and advances (form of capital transfers) is budgeted to jump to ₹1.71 trillion in FY25, implying a 20% annualised growth. This will enable States to continue marching in lock step on capex creation at the ground level. After all, States play an equally important role in the creation of regional infrastructure – on an annualised trailing basis, States had a share of approximately 44% (as of December 23) in general government capex.

A tango with the capex push

While the focus on hard infrastructure is easily palpable, the government has also been active in pushing forward its inclusion agenda with interlinkages with the infrastructure sector. In this context, despite its limitations, the FY25 Interim Budget has placed an adequate and timely emphasis on the housing sector. With the target of three crore houses for PM Awas Yojana (Grameen) being nearly met, the Finance Minister expanded the scope to include two crore additional houses in the next five years. This has the potential to boost affordable housing, which in turn would support rural infrastructure demand.

Further, the capex thrust is also seen to be integrating the government's green energy ambitions. As per the FY25 Interim Budget, one crore households would obtain 300 units of free electricity every month through rooftop solarisation. While each household is expected to save between ₹15,000 to ₹18,000 annually, this would help in the creation of solar assets, especially in rural parts of the country.

Some weak spots in the capex story

Notwithstanding the unambiguous policy focus on government capex, there seems to be a slowdown in capex spending by public sector enterprises (PSEs). The PSE capex budget for FY24 has been axed from ₹4.88 trillion in initial Budget estimates to ₹3.26 trillion in the revised estimates. This will result in PSE capex contracting by approximately 10% in FY24. Going forward, PSE capex is budgeted to increase modestly to ₹3.43 trillion in FY25, implying a growth of approximately 5%. As a ratio to GDP, PSE capex is slated to moderate to 1.0% in FY25, the lowest in recent history.

The high point of this Budget is fiscal consolidation. While subdued PSE capex takes away some sheen from the overall capex thrust by government agencies, this is getting compensated by the better-than-expected pace of fiscal consolidation – the FY25 Interim Budget has pegged the fiscal deficit target at 5.1% of GDP, lower than the consensus expectation of 5.3%-5.4%.

With gross g-sec borrowing now slated to moderate to a three-year low of ₹14.13 trillion, the private sector would benefit from better availability of lendable resources, hopefully at a lower rate (the 10Y g-sec yield closed 8 bps lower at 7.06%, its lowest levels in six months). This would bring collateral benefits to the overall economy. Fiscal rectitude and conservatism have been the hallmarks of this government's Budget making.

LETTERS TO THE EDITOR

Budget, a closer reading

The Interim Budget sounds more like an election campaign pamphlet than a Budget that addresses critical issues. One of the most worrying areas the nation is facing is the young and the educated, the real strength of the country, leaving the nation in search of a better life. Sadly, Budgets come and go, but taxation policies are often sidelined.
Worst hit are employees and pensioners, with no relief in sight from battling inflation and paying taxes. Tall talk of development, infrastructure and growth would mean very little to those struggling.
Balasubramaniam Pavani,
Secunderabad

The Indian masses, who are already facing unprecedented inflation and alarming unemployment, pinned their hopes on the Interim Budget, but to no avail. The Finance Minister has failed to announce any big jump in the allocation for the selected four segments of society, i.e., kisans, women, youth and poor. There has been no change in income-tax slabs. There is no measure to create wealth nor is there anything to generate an atmosphere of trust.
S.K. Khosla,
Chandigarh

The Interim Budget deserves praise as it shuns populist measures and strikes a fine balance between continuity and progress. The announcement of the creation of a corpus of ₹1 lakh crore along with 50-year interest-free loans for research and development in the sunrise domains will no doubt bolster the country's digitisation march while creating opportunities for emerging entrepreneurs. A higher outlay for infrastructure will not only help boost the economy but will also spur investment in the long run.
M. Jeyaram,
Sholavandan, Tamil Nadu

The expectations of the salaried class that they would get some relief have been belied. There has been no hike in the standard deduction limit nor has the maximum deduction for tax benefit under Section 80C (it has been static for years now) been hiked.
Successive Budgets have ignored the salaried class. Obviously, the salaried class has no lobby to plead its case unlike the corporate sector which has much more reach and can use its proximity to the levers of power to achieve its goals.
C.V. Aravind,
Bengaluru

Arrest, questions

All right-thinking citizens want that corrupt leaders, above party lines, are punished but the moot question is whether such unbiased inquiry is conducted by investigating agencies. Under the BJP, the ED has acted only against the Opposition and has gone slow on fugitives.
Kshirasagara Balaji Rao,
Hyderabad

A political, feel-good statement

The Budget is an account of the achievements of the present regime and refuses to address shortcomings such as lack of employment, wage growth, or deficiencies in specific sectors



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Often, Budget speeches are political statements – more so, with impending general elections. There is a lot less to expect from an interim Budget. The Finance Minister's Budget speech was short in substance and loud in claiming credit for the decade of supposedly spectacular growth, moderate inflation, and a record of social welfare.

Positives in the Budget

What are the positives? The Budget statement attributed post-COVID growth revival to public infrastructure investment and proposes to continue the same in the coming year with a 11% rise in capital expenditure. However, the government proposes a moderate expansion in public investment as it claims that private investment has revived. Moderating public investment, in principle, is expected to free up resources for the private sector, preventing "crowding-out" (displacing) of private investment.

In the last 3-4 years, the government has steadily raised public infrastructure investments, mainly on highways and communications, which seems to have contributed to turning around GDP growth rate in the post-pandemic years. Faced with the uncertain global energy supply situation after the war in Ukraine, it seems to have encouraged public sector oil, electricity and coal public sector undertakings to step up investment to improve energy security – setting aside the disinvestment and privatisation agenda for the moment. These decisions seem to have boosted public investment and output and stabilised the macroeconomic situation.

An item of public investment was 50-year interest-free loans offered to States (with conditionalities). The Budget proposes to extend the scheme in the coming year. This is perhaps a welcome move for growth as its utilisation by States has been substantial despite hiccups. Perhaps the scheme can be fine-tuned by taking into account State-specific requirements of its conditionalities.

The Budget proposes to replicate a similar scheme for promoting innovation and R&D for the private sector with a corpus of ₹1 lakh crore. The idea seems interesting if it helps boost industrial R&D. India's R&D expenditure as a ratio of GDP has remained stagnant at 0.8% for decades now. India and China had similar levels of R&D to GDP ratio at 0.8% in 1996. After more than two decades, China's ratio moved up to 2.2% of GDP, while India's slipped to 0.6%. If the proposed long-term interest free loans could reverse the trend, the Budget proposal could be a game-changer.



A worker at the First Solar manufacturing facility in Sriperumbudur. AFP

The Budget applauded the recently announced scheme to set up rooftop solar in 1 crore households. This is welcome as India lags behind in tapping the 'free' natural source. But unless the new scheme addresses the pricing of electricity and differential pricing for small consumers, the ambitious scheme is unlikely to take off.

The Budget claimed that FDI inflow during 2014-23 doubled to $596 billion compared to the previous 10 years. This is misleading. FDI inflow as a ratio of GDP peaked in 2007-08 at around 3.5% and never regained that level. Further, as there have been more exits by private equity capital (the main source of FDI) from India, net FDI to GDP ratio is just about 1%. Much of FDI has flown into services and only modestly in manufacturing, and that too for acquiring existing factories and companies, not for green field investment. So, the modest FDI hardly adds to the economy's fixed investment growth.

The larger picture

The political message in the Budget was 'all is well' and the coming days will be better. It seems to ignore many hard facts about the economy and potential threats from the (fracturing) global economy. Despite a satisfactory recovery from the COVID pandemic, the employment situation remains grim, as per official statistics. For example, the Periodic Labour Force Survey data show that regular salaried employment during the last five years has stagnated. Most of the employment generated is unpaid family labour, a clear evidence of disguised unemployment. Real wages in agriculture have declined. These data points tell us that the benefits of the supposedly stellar output growth have accrued to those receiving rents, interests, and profits who form a tiny share of the population or households. Such a growth outcome can hardly be considered equitable or inclusive.

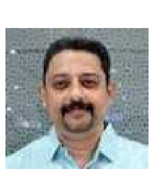
The long term growth of a poor, over-populated economy lies in the structural transformation of its workforce away from rural/agriculture to modern industry and services in urban areas where labour productivity is much higher. During the last 10 years, we have witnessed a rise in the agriculture workforce and a slight decline in employment share in manufacturing. So, what we are witnessing is premature de-industrialisation.

While the Budget and the economic review seem complacent about the aggregate growth and stable external balance, their composition display areas of concern. One such area is the growing dependence on China for industrial inputs. The trade deficit with China has steadily widened over the years, accounting for one-third of India's trade deficit. Despite 'Make in India' and 'Atmanirbhar Bharat Abhiyaan', India's industrial output and investment growth rate has decelerated on a trend basis over the last 5-7 years. The gravity of the problem is better captured by the much-ignored estimates-based Annual Survey of Industries than the macro aggregates in the National Accounts Statistics.

The Budget is an account of the achievements of the last decade of this regime, with a promise to press ahead with the same. It refuses to address shortcomings such as the lack of employment, wage growth, or the critical deficiencies in sectors such as manufacturing. It also seems to ignore potential threats arising from geopolitics or strategic risks posed by dependence on China for critical inputs. Such a head-in-the-sand approach hardly augurs well for long-term national interest.

Ignoring an agricultural sector in distress

The revival of agricultural growth from its long-term slump requires imaginative policy shifts and decisive fiscal measures, but the Budget provides no indications of such a plan or intent



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The report released by the Finance Ministry and the vote-on-account presented by the Finance Minister are concerned more about portraying a glowing image of the government than about the financing plans for 2024-25. For the same reason, one is constrained to confine the discussion on the Budget to one question: was the distress in agriculture over the past decade alleviated by policy, or has it been exacerbated?

Incomes and profitability

All official data appear to indicate the latter. First, there was a strong downward pull on agricultural prices leading to a squeeze on farmers' incomes. The sectoral deflator in agriculture and allied sectors – estimated as the difference in the growth rates of gross value added in current and constant prices – declined from 9.4 in 2013-14 to 5.0 in 2019-20 and 3.7 in 2023-24.

Second, the stagnation or fall of agricultural prices in the market was not ameliorated by any rise in minimum support prices (MSP). For major foodgrain crops, the MSPs rose by an average of 8-9% per annum between 2003-04 and 2012-13, but only by about 5% between 2013-14 and 2023-24. The refusal to adequately raise MSPs affected the government's ability to intervene effectively in the market to control prices – on the farmers' side as well as on the retail side.

Third, a promise was made that real incomes of farmers would be doubled between 2015 and 2022. But the issue appears to have disappeared from policy and media discourse in recent years. In fact, real incomes of agricultural households from cultivation fell by about 1.4% between 2012-13 and 2018-19. The fall of incomes from cultivation was not only owing to the stagnation or fall of agricultural prices, but also due to a sharp rise in the costs of inputs in agriculture, particularly fertilizers.

Fourth, rural unemployment rose between 2011-12 and 2018-19. For rural men, the rise was from 1.7% to 5.6%. For rural women, the rise was from 1.7% to 3.5%. Rural unemployment rates fell after 2018-19 but their levels remained higher than in 2011-12 in 2022-23: at 2.8% for men and 1.8% for women. More importantly, the fall of rural unemployment was accompanied by a rise in the share of self-employed women among all women workers. And most of this rise in the rural areas was in agriculture. In short, there was a crowding of the agricultural sector by unemployed workers from the non-agricultural sectors at a time when agricultural prices were not rising and agricultural incomes were falling.



A potato farm on the outskirts of Varanasi. AFP

Fifth, real wages in rural India have never risen after 2016-17 and have even fallen after 2020-21 – particularly in the context of the crowding of the agricultural labour market. These trends have been true for agricultural wages and non-agricultural wages in the rural areas. All rises in nominal wages were wiped out by inflation.

Finally, public investment in agriculture, in general as well as in specific fields like agricultural research and extension, were stubbornly stagnant, and occasionally even fell, over the past decade. Consequently, capital investment in agricultural and allied sectors did not rise. Most of the long-term bank credit supplied to agriculture was also diverted away as short-term loans to corporates and agri-business firms.

It is thus clear that incomes and profitability in rural India were under severe stress across the two terms of the Union government.

Painting a rosy picture

Yet, the Finance Ministry's report and the Budget speech attempt to paint a totally different picture. They cherry-pick and cite absolute numbers on the increases in agricultural production. But they ignore the fact that the index numbers of production of all principal crops grew by 3.1% annually between 2003-04 and 2010-11, but only by 2.7% annually between 2011-12 and 2022-23. If we consider the index numbers of yield, the fall was sharper: from 3.3% per year to 1.6% per year. In short, the fortuitous spurt of agricultural growth during the pandemic years was inadequate to reverse the long-term decline of agricultural growth beginning from the early-2010s.

The Budget Estimates for 2024-25 also do not inspire confidence. There is no plan in the Budget to substantively reverse the decline of growth in agriculture – either through welfare measures or through investment measures.

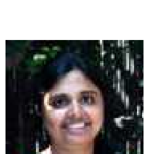
In 2024-25, the most important heads and flagship schemes in agriculture and allied sectors are to face a spending cut. Fertilizer subsidies are to fall from ₹1.9 lakh crore in 2023-24 to ₹1.6 lakh crore in 2024-25. Food subsidies are to fall from ₹2.1 lakh crore in 2023-24 to ₹2 lakh crore in 2024-25. The allocation for the Pradhan Mantri Gram Sadak Yojana is to decline from ₹17,000 crore in 2023-24 to ₹12,000 crore in 2024-25. If ₹90,000 crore was the spending under MGNREGS in 2022-23, the allocation for 2024-25 is only ₹86,000 crore. The transfers under the PM-Kisan scheme remain the same as during its inception in 2019, implying a fall in the real value of cash transfers.

There was much mention in the Budget speech on blue revolution in the fisheries sector, but the budgeted allocation for the sector has been increased by only ₹134 crore. The budgeted allocation for the Department of Animal Husbandry and Dairying has increased only by ₹193 crore between 2023-24 and 2024-25.

The revival of agricultural growth from its long-term slump requires imaginative policy shifts and decisive fiscal measures. But the interim Budget provides no indications of such a plan or even intent.

The problem of moving attention away from services

In the absence of gainful employment opportunities, and the looming job crisis, the continued neglect of the social sector exacerbates the perpetuation of inequalities



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In her speech, the Finance Minister focused on the government's broad achievements over the last 10 years and also gave some indications for what might be in store in the coming years, in terms of new expenditures (assuming that the NDA comes back to power). The Budget, a vote on account, did not include major announcements on the revenue or expenditure accounts. Unlike the interim Budget presented by this government before the 2019 general elections, where the PM-KISAN scheme was announced with retrospective effect, there were no grandiose announcements this time. Therefore, although the Budget does not say much, it reiterates this government's view that the economy is on the path to recovery and gives the impression that everything is in an upswing, with much of the progress being a direct result of the policies of the last 10 years.

Poverty and income

The Finance Minister said that 25 crore people have been brought out of multidimensional poverty (MPI) in the last 10 years. The limitations of the MPI in estimating changes in poverty have been discussed extensively. For instance, the MPI does not tell us about the trends in income poverty, a useful indicator of economic well-being. While this used to be captured by the consumption expenditure survey of the National Sample Survey, no data on this are available for the period after 2011-12. The further claim that the "average real income of the people has increased by 50%" is also misleading. Average incomes are just that – averages – and do not tell us much about how the lives of the poor changed. To know about the incomes of the majority of the people, what really matters is the distribution of the national income.

According to the last Economic Survey, the real per capita income in 2003-04 was ₹42,995 and increased to ₹68,572 in 2013-14. The advanced estimates for 2023-24 place per capita income in 2011-12 prices at ₹1,04,550. So, in both periods, the per capita increased by a similar factor of 1.5 (1.59 and 1.52). On the other hand, if we look at real wages during this same period, there has been a stagnation. As reported in a recent report by an international periodical, "In 2004-05 the average rural worker earned an adjusted $3 per day. That jumped to $4.80 by the time Mr. Modi took over and has remained flat ever since". There is other evidence to show that the incomes of the poor are depressed. This is also reflected in the poor growth in private final consumption expenditure. Structural change in employment is seeing a reversal with the share of agriculture in total employment going up, which is an indication that there are not enough jobs available outside of agriculture. Even the increase in women's labour force participation rates in the last 4-5 years seems to be a sign of distress, as most women are in unpaid family labour and not in gainful employment. The Budget speech, however, was fairly upbeat; it stated, "People are living better and earning better, with even greater aspirations for the future".



MGNREGS workers in Purulia.
DEBASISH BHADURI

The demand for jobs under MGNREGS is still high despite the low wages being given and the various bottlenecks in accessing the Scheme. This is reflected in the fact that as per the Revised Estimate (RE) for 2023-24, the outlay for MGNREGS is ₹86,000 crore (compared to the Budget Estimate of ₹60,000 crore), which is also the budgeted allocation for FY2025. A number of estimates show that to meet the full demand and increase wages to at least minimum wage levels, much more would be needed.

Allocations for social sector

The Budget allocations for most social sector schemes and departments remain more or less the same as last year. The allocations for school and higher education as well as the health and family welfare departments show some nominal increases compared to last year's BE, about 6-8%. Although upgradation of Anganwadi centres was mentioned in the speech, the budget for Saksham Anganwadi at ₹21,200 crore is slightly lower than the RE of ₹21,523 crore for 2023-24. The budget for PM-POSHAN (school mid-day meals) is ₹11,600 crore compared to the RE of ₹12,800 crore for 2023-24. It must be remembered that in real terms, most of these schemes have seen reductions of 25-30% over the last 10 years. The allocation for the National Social Assistance Programme, which includes old age, widow and disability pensions, in nominal terms, was ₹10,618 crore in 2014-15 and is now only ₹9,652 crore.

This approach of moving attention away from provision of services has also meant neglect of basic education, health, and nutrition services with all focus being diverted to certain high-profile visible schemes such as the Awas Yojana or sanitation. While these are important assets for the poor, it doesn't take away from the fact that health, education, and social security budgets remain woefully inadequate even as these services suffer from poor infrastructure, huge vacancies, and inadequate resources. In the absence of gainful employment opportunities, and the looming job crisis, the continued neglect of the social sector exacerbates the perpetuation of inequalities across generations. A truly aspirational India cannot shy away from this.